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STALON AND BROADBENT NOMINATIONS

HEARING

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES UNITED STATES SENATE

NINETY-EIGHTH CONGRESS

SECOND SESSION

ON THE

NOMINATIONS OF DR. CHARLES G. STALON TO BE A COMMISSIONER OF THE FEDERAL ENERGY REGULATORY COMMISSION; AND ROBERT N. BROADBENT TO BE ASSISTANT SECRETARY OF THE INTERIOR FOR WATER AND SCIENCE

JUNE 7, 1984

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CONTENTS

STATEMENTS

	Page
Broadbent, Robert N., nominee to be Assistant Secretary of the Interior for Water and Science	29
Goldwater, Hon. Barry, a U.S. Senator from the State of Arizona	13
Hecht, Hon. Chic, a U.S. Senator from the State of Nevada	2
Laxalt, Hon. Paul, a U.S. Senator from the State of Nevada	6
McClure, Hon. James A., a U.S. Senator from the State of Idaho	1
Nickles, Hon. Don, a U.S. Senator from the State of Oklahoma	12
Percy, Hon. Charles H., a U.S. Senator from the State of Illinois	18
Reid, Hon. Harry M., a U.S. Representative from the State of Nevada	4
Rudd, Hon. Eldon, a U.S. Representative from the State of Arizona	16
Stalon, Dr. Charles G., nominee to be a Commissioner, Federal Energy Regulatory Commission	20
Udall, Morris K., a U.S. Representative from the State of Arizona	15
Vucanovich, Hon. Barbara F., a U.S. Representative from the State of Nevada	3

APPENDIXES

Appendix I

Biographies and informational statements of:	
Dr. Charles G. Stalon	35
Robert N. Broadbent	55

Appendix II

Responses from nominees to additional questions:	
Dr. Charles G. Stalon	83
Robert N. Broadbent	114

Appendix III

Statements submitted for the record in support of Robert N. Broadbent	169

STALON AND BROADBENT NOMINATIONS

THURSDAY, JUNE 7, 1984

U.S. SENATE,
COMMITTEE ON ENERGY AND NATURAL RESOURCES,
Washington, DC.

The committee met, pursuant to notice, at 10:07 a.m., in room SD-366, Dirksen Office Building, Hon. James A. McClure (chairman) presiding.

Present: Senators McClure, Murkowski, Hecht, Ford, and Metzenbaum.

Also present: E. David Doane, deputy chief counsel for energy; Gary Ellsworth, deputy chief counsel for natural resources; and D. Michael Harvey, chief counsel for the minority.

OPENING STATEMENT OF HON. JAMES A. McCLURE, A U.S. SENATOR FROM THE STATE OF IDAHO

The CHAIRMAN. The committee will please come to order. This morning the committee will consider the nominations of Charles Stalon to be a member of the Federal Energy Regulatory Commission, and Robert Broadbent who has been selected by the President to serve as an Assistant Secretary of the Interior for Water and Science.

We are pleased that the President has chosen such well-qualified candidates for these positions. Dr. Stalon has served as a commissioner on the Illinois Commerce Commission since 1977. Prior to that time he was an associate professor of economics at Southern Illinois University. He also worked as a research economist for the Federal Power Commission from 1969 to 1970.

Dr. Stalon has been nominated to serve as a commissioner on the Federal Energy Regulatory Commission until October 20, 1987.

Mr. Broadbent has been selected to fill the newly created position of the Assistant Secretary of the Interior for Water and Science. If confirmed, he will have the responsibility for the Bureau of Reclamation, the Bureau of Mines, and the U.S. Geological Survey.

Since 1981, Mr. Broadbent has served as Commissioner of Reclamation at the Department of the Interior. Prior to that appointment he was a commissioner of Clark County, NV, for 12 years, and also became the first mayor of Boulder City, NV.

A licensed pharmacist, Mr. Broadbent owned and operated a drugstore during his service in local government in Nevada.

Gentlemen, I welcome you to the committee this morning and look forward to your statements.

Are there any other members of the committee who wish to make any statement at this time before we proceed with the introduction by those who are at the witness table?

I would like first to recognize a member of this committee, the distinguished junior Senator from the State of Nevada simply because he outranks you, Paul. He is a member of the committee.

Senator LAXALT. I have no problems with that, Senator McClure.

The CHAIRMAN. Chic Hecht—we welcome you here and you may make whatever statement you like at this time.

STATEMENT OF HON. CHIC HECHT, A U.S. SENATOR FROM THE STATE OF NEVADA

Senator HECHT. Thank you, Mr. Chairman. It gives me a great deal of pleasure to testify today on behalf of Bob Broadbent, the President's nominee for the position of Assistant Secretary of Water and Science.

Having known Bob for over 30 years in southern Nevada before coming to Washington, I can speak with a great degree of confidence about his ability to carry out the responsibilities of this important office.

I don't think anyone in this room needs to be convinced of Bob's personal integrity, his dedication to public service, and his understanding of the West. His record speaks for itself on these points.

What I want to emphasize is something else about Bob, something intangible and yet unmistakable in his character—his ability to get things done. I cannot say how many times I have seen Bob utilize his rare combination of technical and personal skills to catalyze an agreement between seemingly hopeless adversaries in the public arena. At the local, State, and now the national level, Bob Broadbent has proven himself a leader.

When I first came to Washington last January, one of the first issues dropped in my lap as a member of this committee was a bill to help resolve the longstanding dispute between Nevada, Arizona, and California over the post-1987 power allocation from Hoover Dam.

Each of the respective power allottees were literally gnashing at the bit to take this issue to Federal court, and enough legal briefs had already been filed to keep the judges busy well into the next century.

Today these same power allottees are very close to seeing the enactment of a bill, H.R. 4275, which will resolve all of their differences. The legislation is a result of many hours of hard negotiations in which the Federal Government also had a vital interest, and I think I can speak for everyone involved when I say that Bob Broadbent deserves the lion's share of the credit for this achievement. This is the kind of leadership that we need in the Department of Interior, and I don't think the President could have found anyone more equipped for this job than Bob Broadbent.

I thank the committee for this opportunity to testify, and I urge its approval of Bob's nomination.

The CHAIRMAN. Thank you very much, Senator. The distinguished senior Senator from Nevada——

Senator LAXALT. Will the chairman permit me to yield to our Congresswoman from Nevada?

The CHAIRMAN. I will be very happy to permit you to do so.

Senator LAXALT. I would be pleased to do so.

The CHAIRMAN. Delighted to have you with us.

STATEMENT OF HON. BARBARA F. VUCANOVICH, A U.S. REPRESENTATIVE FROM THE STATE OF NEVADA

Mrs. VUCANOVICH. Thank you very much, Mr. Chairman, and thank you to my senior Senator.

Mr. Chairman and members of the committee, it is both an honor and a privilege to appear before you today in support of President Reagan's nomination of Robert M. Broadbent to be Assistant Secretary for Water and Science at the Department of Interior.

I am sure that Bob Broadbent is no stranger to any of you. While serving as Commissioner of the Bureau of Reclamation, he has had numerous dealings with your committee as well as with the House Committee on Interior and Insular Affairs of which I am a member.

I for one have been impressed with the forthright and equitable way that Bob Broadbent as Commissioner of Reclamation has dealt with both people and issues within the jurisdiction of our respective committees, but then as a long-time friend and colleague of Bob's, I expected nothing less from him.

Though I have lived mostly in northern Nevada and at least during the time that I have known him Bob has lived in southern Nevada, our paths have crossed on numerous occasions. Nevada is a small State by population but not by area, and people who meet and work together on a professional level also know one another on a personal basis.

During the approximately 25 years that I have known Bob, I have had nothing but the utmost respect for him as both a professional and as a family man. Given the committee's busy schedule, I don't want to spend time detailing Bob's professional background and experience because that information has I am sure already been provided to the committee.

Suffice it to say that he has worked on a wide range of resource issues, and Nevada being a desert State, mining is its No. 2 industry. The emphasis has been on water and minerals. Bob has always had a knack for getting agreements on controversial issues and for sifting through the complexities of the problem and identifying the critical elements and for finding workable solutions to those complex problems.

The legislative settlement of the Hoover power allocation that Senator Hecht referred to is a case in point. Bob was instrumental in bringing Arizona, California, and Nevada together to work out a compromise that will prevent a costly legal battle. That these three States can be made to agree on anything, let alone something having to do with scarce resources, is a miracle.

Before closing, I would like to add a word on the realignment of Interior and the creation of the Office of the Assistant Secretary for Water and Science. I am hopeful that the new emphasis on

water bodes well for those of us in the West who are vitally interested in water conservation and development. Certainly under the able direction of Bob Broadbent, this will be the case.

Finally, I must note that once confirmed, Bob Broadbent will be the highest ranking Interior Department official ever from the State of Nevada. Given the fact that Nevada has a higher percentage of Federal lands than any other State in the Nation, and that we are so dependent on mineral and water development, I think it is high time that a Nevadan served in the upper ranks of Interior.

As a Nevadan, Bob Broadbent will bring with him to his new position a deep-rooted understanding of the water resource issues.

Mr. Chairman, it is with great pride and pleasure that I commend to you President Reagan's nominee for Assistant Secretary for Water and Science, a good friend and fellow Nevadan, Robert Broadbent.

The CHAIRMAN. Thank you very much. Now the senior Senator.

Senator LAXALT. May I yield now to my colleague, the Congressman from Nevada, Mr. Reid?

The CHAIRMAN. We will be happy to have your statement at this time.

STATEMENT OF HON. HARRY M. REID, A U.S. REPRESENTATIVE FROM THE STATE OF NEVADA

Mr. REID. This is a first in many ways for me. It is the first time since I have been in Washington that a meeting started on time, so I'm sorry I am late. I apologize to you for that.

I am happy to be here for a number of reasons, the most important of which is to honor someone from Nevada that deserves this consideration. Bob Broadbent and I have actually been on the opposite side of the political spectrum for many, many years. Bob and I were opponents in 1970 for a statewide office in Nevada.

In 1974 Bob was the chairman of the campaign of my opponent. During these times with Bob Broadbent, I have found him to be an absolute gentleman and someone that has been fair in everything that he does, including political campaigns. He is a man of his word.

When we ran for statewide office in 1970, we made certain agreements on how the campaign would be run. It became a very close election. My experience in elections had found that sometimes the emotion of the time causes people to do things they probably wouldn't do outside a time of stress.

Bob Broadbent has always been a man of his word. I have found him to be totally ethical, not only in his dealings with me, but in his dealings with everyone. As each of you know, Bob served on the Board of County Commissioners of Clark County. To us in Nevada, this is an extremely important job. That body has watched and maneuvered, for lack of a better word, the growth of Clark County which has been extremely heavy during the past two decades. Bob Broadbent has been involved in this growth for almost 20 years, from the time that he was mayor of Boulder City in 1959.

During the time that Bob was on the Board of County Commissioners he served at various times as chairman of our hospital board, chairman of the water district, chairman of the sanitation

district, and was involved in McCarran Airport development. This is an airport which we believe is second to none in its developmental stages and its growth patterns.

Bob Broadbent has done great things while serving on the county commission and many of those things would be expected by a person of his talents. More importantly, Bob Broadbent has an added dimension that many people don't know about. We have had over the years problems in our resort industry. On one occasion we had some problems with a particular group of people; and it was Bob Broadbent that was the first to, in effect, recognize that something was wrong.

Now this situation was very difficult for him, causing threats on his life and problems with his family. But he hung in there until time proved him to be right. Eventually it was shown that this person was involved in areas of the world that he shouldn't be, and he was eventually thrown out of the gaming business. Bob Broadbent, after many years, was shown to have been right.

In addition, while Bob Broadbent served as a member of the board of county commissioners, it was rumored that one of his fellow commissioners was a person who didn't conduct himself in a manner which somebody who holds elective or appointed office should. Bob Broadbent was involved in a situation that led to this man's conviction and expulsion from office, a situation that most people would not become involved in for fear it might reflect on their reputation, or harm them, or their safety. But Bob Broadbent stood above all this, a situation which initially started out with a conflagration and bad reports in the newspapers. Editorials asked why he didn't mind his own business? When it was all over, the editorials stated that we need more people like Bob Broadbent in public office.

The highest tribute that I can pay to Bob Broadbent is the fact that he was appointed to the Bureau of Reclamation as its Commissioner at a time when there were problems that developed very quickly. For the first time in 50 years, we had massive flooding along the Colorado River that caused all kind of problems in Utah, Arizona, Nevada, California, and even in Colorado. As the flooding was going on, Broadbent again took it from the newspapers, which wondered why the Bureau didn't give us notice? And all of us who were having to respond to our constituents were second-guessing Bob and the Bureau of Reclamation—why wasn't something done sooner?

I attended field hearings held in Arizona, California, and Nevada related to the flooding on the Colorado River. The first hearing we held was chaired by Chairman Udall of the House Interior Committee of Arizona. It almost became embarrassing because the hearing turned into a testimonial for Bob Broadbent. People who had been flooded out, businessmen in the community, local political leaders, and we at the congressional level, testified that Bob Broadbent had done an almost miraculous job in handling the flooding situation along the Colorado. I again repeat that the hearing became a testimonial for Bob Broadbent. That brings me to a point that I think is important.

When I heard these hearings were taking place, I called Chairman Udall and I said, "Mo, would it be okay if I used your name in

these hearings for Bob Broadbent?" And Mo said, "Harry, it is not only OK if you use my name, in fact, there isn't anything nice enough that you could say for me for Bob Broadbent because the work he did concerning the Colorado River flooding program is the best I have ever seen."

I also called somebody that you might think would be a strange ally for Bob Broadbent, and that is Tony Coehlo, chairman of the Democratic Congressional Campaign Committee. In Tony's congressional district there is considerable interaction with the Bureau of Reclamation, and he has had many dealings, having served on congressional staff for many years and now in his third term in Congress, with the Bureau of Reclamation, and I called Tony and said I am testifying at these confirmation hearings in the Senate, would it be OK if I used your name? And he said take notes, and I did. In effect what Tony said is that in the 20 years that he has had dealings with the Bureau of Reclamation and with water problems generally, he has never known anyone as good or as capable as Bob Broadbent to handle those problems.

Members of this committee, I congratulate and applaud President Reagan for this appointment. I don't know of another appointment that he could make that would provide more assurance that there is going to be a great job done for the United States by this man Bob Broadbent who will represent us as an Assistant Secretary.

The CHAIRMAN. Thank you very much, Congressman.

Senator Laxalt.

STATEMENT OF HON. PAUL LAXALT, A U.S. SENATOR FROM THE STATE OF NEVADA

Senator LAXALT. I thank the chairman and the members of the committee.

After all the accolades that have been paid to Bob Broadbent by my colleagues on both sides of the aisle, I don't know what I could materially add, but I will try.

I have known Bob Broadbent over 20 years, known him as a political colleague, worked closely with him during the time that I served as Governor in Nevada. I worked closely with him since.

I think that Congressman Reid pretty much said it all. He has demonstrated over the years to be a highly conscientious person. I have been impressed, as have many others, by the diligence that he pays to plain old simple homework. There is nothing glamorous about getting into the books and getting in beneath the surface on a lot of these issues, but I think probably that quality more than anything else has distinguished him in the way that he has performed his responsibilities as a public official at the local level, and more importantly, here.

I had a little bit to say in terms of recommending him to Jim Watt when Jim was looking for someone to help him with the slot. Jim very frankly had some reservations about him, not in terms of anything personal or otherwise, but just in terms of his technical capabilities to handle what obviously was a very difficult position in the Department of the Interior. Very quickly thereafter, Jim was quick to tell me how impressed he was with Bob, and particularly

the manner in which he took on the job and made it a point to go to school and learn the intricacies of the position. I can say now, 3 short years later, that as my colleagues have attested, he has developed a tremendously good reputation as a water expert, and more than that, I think that water, particularly in the West, requires a degree of diplomacy that would exact a tremendous demand upon anybody. This is an area in which he has excelled, and having Mo Udall and Tony Coehlo and others attest to his qualifications in the manner that Congressman Reid has expressed I guess says it better than anything else.

We have had, as the chairman and members of the committee know, a simmering dispute in terms of the Carson River water system. After many, many years we negotiated a settlement with the then Governor Reagan, and had such an imminence in terms of settlement that I called a special session so that we could resolve this issue. It seemed to be something that should be resolved within a matter of hours and certainly not any longer than days, and it has been sitting here ever since, which taught me a lot of lessons about imminence and special sessions.

When Bob Broadbent came here, he immediately addressed himself to that issue, and he has worked diligently with farmers, he has worked with the irrigation people, and he has worked with the Indians, and I have a strong suspicion that primarily due to his efforts the before long we will be able to effect a settlement of that years long dispute that has existed between the State of California and Nevada. So essentially what I say is I think we are fortunate in having a man of his background, his qualifications and his complete integrity considered for this position.

I would recommend strongly to the members of the committee that you report him out favorably.

The CHAIRMAN. Thank you very much.

Senator LAXALT. Mr. Chairman, may I also have leave to inject into the record a statement that I have prepared?

The CHAIRMAN. It will be placed in the record in full.

Senator LAXALT. I thank the chairman.

[The prepared statement of Senator Laxalt follows:]

STATEMENT OF SENATOR PAUL LAXALT ON THE
NOMINATION OF ROBERT N. BROADBENT

TO BE ASSISTANT SECRETARY OF THE
INTERIOR FOR WATER AND SCIENCE
JUNE 7, 1984

MR. CHAIRMAN, MEMBERS OF THE COMMITTEE, IT IS INDEED A PLEASURE TO BE HERE TODAY TO FORMALLY INTRODUCE A LONG TIME FRIEND AND FELLOW NEVADAN TO THIS DISTINGUISHED COMMITTEE. NO ONE WAS MORE DELIGHTED THAN I WHEN PRESIDENT REAGAN NOMINATED BOB TO BE THE INTERIOR DEPARTMENT'S FIRST ASSISTANT SECRETARY FOR WATER AND SCIENCE. IN MY MIND, BOB'S BACKGROUND AND EXPERIENCE MAKE HIM A NATURAL FOR THIS JOB.

I'M SURE THAT BOB BROADBENT IS A FAMILIAR FACE TO MOST OF YOU HAVING SERVED AS THE COMMISSIONER OF THE BUREAU OF RECLAMATION SINCE EARLY IN 1981. IN THAT ROLE I KNOW HE HAS HAD NUMEROUS OPPORTUNITIES TO APPEAR BEFORE THIS COMMITTEE AND MEET INDIVIDUALLY WITH MANY OF YOU. HE WAS A KEY REPRESENTATIVE OF THE ADMINISTRATION IN BOTH THE PASSAGE AND THE IMPLEMENTATION OF THE

RECLAMATION REFORM ACT OF 1982. AS SUCH, BOB HAS BEEN A STRONG FORCE IN BRINGING RECLAMATION LAW MORE IN LINE WITH TODAY'S FARMING REALITIES.

DURING HIS TENURE AT RECLAMATION, BOB BROADBENT HAS BEEN AN EFFECTIVE ADVOCATE FOR WESTERN WATER DEVELOPMENT. HE HAS BEEN INSTRUMENTAL IN DEVELOPING A FAIR ~~AND FLEXIBLE SYSTEM~~ OF FINANCING NEW PROJECTS WHICH TAKES INTO ACCOUNT THE FISCAL REALITIES OF TODAY AS WELL AS THE PRIOR COMMITMENTS OF YESTERDAY. MORE IMPORTANTLY, HE BRINGS TO THIS NEW POST A KEEN AWARENESS OF UNIQUE PROBLEMS ASSOCIATED WITH OUR WESTERN STATES BECAUSE OF THEIR ARIDITY AND DEPENDENCY ON MAN-MADE STORAGE AND DISTRIBUTION SYSTEMS FOR THEIR WATER SUPPLY. LIKE MOST OF US, BOB BELIEVES THAT THESE SYSTEMS ARE AN INTEGRAL PART OF THE NATION'S INFRASTRUCTURE.

PRIOR TO HIS APPOINTMENT BY THE PRESIDENT TO HIS CURRENT POST, BOB SERVED AS A COMMISSIONER OF

CLARK COUNTY, NEVADA, FOR 12 YEARS. THE CLARK COUNTY BOARD OF COMMISSIONERS IS THE LEGISLATIVE AND POLICY ARM OF THE COUNTY GOVERNMENT. AS AN ELECTED MEMBER OF THE BOARD, BOB OVERSAW A FULL RANGE OF MUNICIPAL AND REGIONAL SERVICES TO COUNTY RESIDENTS. HE DIRECTED THE ACTIVITIES OF SOME 5,000 EMPLOYEES AND MANAGED A 400 MILLION DOLLAR ANNUAL BUDGET. DURING HIS TENURE AS A COUNTY COMMISSIONER BOB GAINED A STATEWIDE REPUTATION AS A HARDNOSED OPPONENT OF CORRUPTION AND A MAN OF PRINCIPLE.

WHILE ON THE COUNTY BOARD, BOB SERVED AS A DIRECTOR OF THE LAS VEGAS VALLEY WATER DISTRICT FOR 6 YEARS AND AS SUCH WAS CHIEFLY RESPONSIBLE FOR DEVELOPING THE DISTRICT INTO THE LARGEST AND MOST SOPHISTICATED PUBLIC WATER SUPPLIER IN THE STATE OF NEVADA. BOB ALSO SERVED FOR 12 YEARS AS A TRUSTEE OF THE CLARK COUNTY SANITATION DISTRICT. CONCURRENT WITH HIS WORK IN LOCAL GOVERNMENT, BOB BROADBENT WAS A BUSINESSMAN AND

OWNED AND OPERATED A DRUG STORE AS A LICENSED PHARMICIST IN BOULDER CITY, NEVADA FROM 1950 TO 1975.

IN 1959 BOB WAS ELECTED AS THE FIRST MAYOR OF BOULDER CITY. IN THAT POSITION, HE WAS INSTRUMENTAL IN HELPING TO NEGOTIATE THE TRANSFER OF BOULDER CITY FROM THE DEPARTMENT OF THE INTERIOR TO ITS STATUS AS A NEVADA MUNICIPALITY.

IN SUMMATION MR. CHAIRMAN, LET ME SAY THAT I HAVE KNOWN BOB FOR BETTER THAN 20 YEARS AND HAVE THE UTMOST RESPECT FOR HIS ABILITIES. MOREOVER, I KNOW BOB TO BE A MAN OF THE HIGHEST INTEGRITY WHO WILL PERFORM THE DUTIES OF HIS NEW OFFICE IN A WAY THAT WILL BRING CREDIT BOTH TO THE ADMINISTRATION AND TO THIS COMMITTEE. I URGE YOUR FAVORABLE CONSIDERATION OF HIS NOMINATION. AGAIN MR. CHAIRMAN, THANK YOU FOR THE OPPORTUNITY TO BE WITH YOU THIS MORNING.

The CHAIRMAN. Thank you, and thank you all very much for your appearance and your testimony today, and I am sure Mr. Broadbent appreciates it as well.

We have statements from Senator Nickles, from Senator Goldwater, from Congressman Udall, and from Congressman Rudd on behalf of Mr. Broadbent which will be made a part of the record at this point as well.

[The statements follow:]

STATEMENT OF SENATOR NICKLES ON THE

NOMINATION OF ROBERT N. BROADBENT FOR ASSISTANT SECRETARY FOR WATER & SCIENCE

Mr. Chairman,

I would like to add a word of strong support for the nomination of Bob Broadbent to the position of Assistant Secretary of the Interior for Water and Science.

As Chairman of the Bureau of Reclamation's authorizing subcommittee, I have had much opportunity to work closely with Bob on a number of issues. Bob has earned a reputation for being fair, knowledgable, and very capable. His experience with the Bureau and much of his earlier work in Nevada suit him well to meet the needs and demands required of this Assistant Secretary position.

I am very pleased the President has tapped Bob Broadbent to tackle this important job and hope that this Committee and the full Senate will move quickly to confirm his nomination.

STATEMENT BY SENATOR BARRY GOLDWATER
FOR THE SENATE ENERGY AND NATURAL RESOURCES COMMITTEE
JUNE 7, 1984

Mr. Chairman, for the past three years it has been my privilege to work in close association with the man you are today considering for appointment to the post of Assistant Secretary of the Interior for Water and Science. Bob Broadbent has done an outstanding job as Commissioner of Reclamation. I have found him to be knowledgeable, helpful, and frank. He is a fine choice for this new Assistant Secretary position in Interior. I also knew his Dad, so I know he comes from a fine family.

As I am certain you are all aware, as Commissioner of Reclamation Bob Broadbent was required to deal with the water development needs of seventeen western states. There are a large number of worthy projects, both planned and under construction, competing for the limited Federal funds that are available. Determining the funding priorities and allocations for these varied projects is not a simple task, but Mr. Broadbent has shown remarkable skill in preparing the Bureau of Reclamation's budget. His extensive experience in water supply and water quality issues as a leader in one of the country's most rapidly growing areas has provided him with a practical base for dealing with the problems that are being encountered by water managers throughout the Nation.

One of the most pressing concerns in the West today is the issue of Indian Water Rights, which has been a subject of great personal interest to me. There is a real need to resolve the many water rights disputes and ensure the equitable distribution of water for all of the parties involved.

39-284 O—84——2

Bob Broadbent has actively encouraged the use of negotiation to resolve these issues and was instrumental in securing final resolution of the complex Papago settlement in the State of Arizona. His continued involvement in resolving other longstanding Indian water issues, such as the Pyramid Lake settlement which is currently underway, will certainly serve the interests of this country.

I urge prompt confirmation of Mr. Broadbent's nomination by my colleagues in the Senate.

NINETY-EIGHTH CONGRESS

MORRIS K. UDALL, ARIZ., CHAIRMAN

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U.S. HOUSE OF REPRESENTATIVES
WASHINGTON, D.C. 20515

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June 6, 1984

The Honorable James A. McClure
Chairman
Committee on Energy and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

On Thursday, June 7, your Committee on Energy and Natural Resources will begin hearings on the nomination of Bob Broadbent for Assistant Sectetary for Water and Science. I support this nomination and urge you and your committee to report the nomination favorably.

I have worked with Bob since he was appointed Commissioner of Reclamation in 1980. In the last four years I have found him to be a person of high integrity, candor and competence. It has been a pleasure to work with him on numerous issues that are of importance to the West and to the House Interior Committee.

Bob possesses a combination of personal and professional skills that are most valuable. His personal style and professional demeanor have enabled him to seek compromise and develop consensus on many difficult and sensitive issues that are vitally important to us in Arizona and the West. While I sometimes find myself in disagreement with policies of this Administration, and I am fully aware that Bob will be entrusted with carrying out those policies, I believe Bob will bring the same sense of fairness and reason to this new post that has characterized his tenure as Commissioner of Reclamation.

I am very pleased to be able to have an opportunity to endorse Bob Broadbent for this important post.

Sincerely,

Mo Udall

MORRIS K. UDALL
Chairman

STATEMENT OF
HONORABLE ELDON RUDD
SENATE COMMITTEE ON ENERGY
AND NATURAL RESOURCES
JUNE 7, 1983

MR. CHAIRMAN, IT IS MY PLEASURE TO SUPPORT AND ENDORSE THE NOMINATION OF ROBERT N. BROADBENT AS ASSISTANT SECRETARY FOR WATER AND SCIENCE FOR THE UNITED STATES DEPARTMENT OF THE INTERIOR.

BOB BROADBENT HAS SERVED THIS NATION WITH UTMOST SKILL AND COMPETENCE AS COMMISSIONER OF THE BUREAU OF RECLAMATION. HIS KNOWLEDGE OF WATER, WATER DEVELOPMENT, AND RELATED ENERGY ISSUES IS UNSURPASSED.

THIS NOMINATION WILL BRING TO THE NEW POST OF ASSISTANT SECRETARY FOR WATER AND SCIENCE A GENTLEMAN WITH MUCH EXPERIENCE IN THE AREA OF WATER ISSUES. IN ADDITION, BOB HAS A LENGHTY EXPERIENCE IN LOCAL GOVERNMENT, SOMETHING THAT IS ESSENTIAL IN THE COURSE OF THE WORK DONE BY THE DEPARTMENT OF THE INTERIOR. BOB BRINGS TO HIS NEW TASK A DEDICATION AND WIDELY RECOGNIZED REPUTATION FOR GETTING THINGS DONE THAT IS HARD TO MATCH.

THOSE OF US INVOLVED IN THE ISSUES OF WATER HAVE NOTHING BUT HIGH PRAISE FOR JOB BOB HAS DONE AND HIS ABILITIES TO TACKLE THIS NEW, VITAL ASSIGNMENT.

I URGE THIS COMMITTEE TO CONFIRM THIS MOST NOTEWORTHY AND DESERVED NOMINATION.

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The CHAIRMAN. Thank you all very much. Mr. Stalon, I wonder if you would come forward to be sworn for your testimony?

Before hearing your statement, I would like to place in the record an introductory statement by Senator Percy who expressed his regret that he was unable to be here, but wants his statement to be made a part of the record at this point.

[The prepared statement of Senator Percy follows:]

STATEMENT OF
SENATOR CHARLES H. PERCY
before the
SENATE ENERGY AND NATURAL RESOURCES COMMITTEE
hearing on

THE NOMINATION OF DR. CHARLES A. STALON
TO THE FEDERAL ENERGY REGULATORY COMMISSION

JUNE 7, 1984

Mr. Chairman, today I am pleased to support the nomination of Dr. Charles G. Stalon to the Federal Energy Regulatory Commission (FERC).

Dr. Stalon's nomination has particular interest to me because he comes from the state I have represented for 17 years. In Illinois, Dr. Stalon has distinguished himself both in academia and as a member of the Illinois Commerce Commission. Dr. Stalon has a special regard for the common interests that energy importing states like Illinois share.

I believe the FERC should represent the interests of the entire country. We need a Commission that will be sensitive to the needs of energy producers, distributors, and consumers. That is why I have stressed the establishment of a regionally balanced Commission.

I am encouraged that the nomination of Dr. Stalon will improve the regional balance on the Commission. I am confident that Dr. Stalon will work to increase interstate cooperation on energy problems and address federal policy issues in a fair and equitable manner.

The CHAIRMAN. Dr. Stalon, the rules of the committee which apply to all nominees that require our confirmation require that they be sworn in connection with their testimony.

[Whereupon, Dr. Charles G. Stalon was duly sworn by the chairman.]

The CHAIRMAN. Please be seated. We also ask a series of questions of such nominees, and I would like to ask these questions of you.

Will you be available to appear before this committee and other congressional committees to represent departmental positions or respond to issues concerning the Congress?

Dr. STALON. I will.

The CHAIRMAN. Your informational statement has been submitted to the committee. It is required that this statement be made public unless the committee decides that special circumstances justify an exception.

Do you have any objection to the publication of your informational statement?

Dr. STALON. I have no objection.

The CHAIRMAN. Are you aware of any personal holdings, investments, or interests that could constitute a conflict of interest or create the appearance of such a conflict should you be confirmed and assume the office to which you have been nominated by the President?

Dr. STALON. My investments, personal holdings, and other interests have been reviewed by myself and the appropriate ethics counselors within the Federal Government.

In accordance with their advice, as is noted in my committee information form, I intend to resign from five organizations of which I am currently a member to avoid any potential conflict of interest.

Those organizations are the Illinois Commerce Commission, the Gas Committee of the National Association of Regulatory Utility Commissioners, the presidency of the Mid-America Regulatory Conference, the advisory council of the Gas Research Institute, and the board of directors of the National Regulatory Research Institute.

In addition, I have been advised informally by the FERC ethics officer that there potentially may be one or more adjudicatory proceedings before the FERC in which the Illinois Commerce Commission was a party intervenor to which I, as a commissioner of the Illinois Commerce Commission at the time of the intervention, may be required to recuse myself.

Whether I will be required to recuse myself in any such proceeding will be determined on the basis of a review of the specific circumstances of each proceeding at the time that it is considered by the FERC.

In accordance with the advice of the ethics officer, it is my intention to seek his recommendation at the earliest possible time that any such proceeding is identified for action by the Commission.

I will proceed to recuse myself from any such proceeding upon the recommendation of the ethics officer to avoid any conflict of interest or appearance of a conflict of interest in a proceeding. I am not aware of any other conflict of interest or appearance thereof.

The CHAIRMAN. Are you involved in or do you have any assets held in blind trust?

Dr. STALON. No.

The CHAIRMAN. Thank you very much, Mr. Stalon. You may proceed with your statement at this point.

STATEMENT OF DR. CHARLES G. STALON, NOMINEE TO BE A COMMISSIONER, FEDERAL ENERGY REGULATORY COMMISSION

Dr. STALON. Mr. Chairman, distinguished members of the committee, it is an honor for me to appear before you this morning as President Reagan's nominee for the position of commissioner of the Federal Energy Regulatory Commission.

I am pleased to submit for your consideration a brief description of my experience and education for this responsible position.

For the last 6 years and 9 months I have served as a commissioner on the Illinois Commerce Commission. This commission regulates investor-owned gas, electric, telephone, and water utilities. In addition, it regulates railroads, bus companies, and motor carriers of freight.

During these 6-plus years, I have gained a great deal of experience working as a member of a collegial body making decisions on issues similar to those required of the FERC. I would note for the committee's consideration that after serving on the Illinois commission for 3½ years and making many hard decisions during a period of rapidly rising prices and interest rates, I was confirmed by the Illinois Senate for a second term without a dissenting vote.

Prior to my appointment to the Illinois Commerce Commission, I was a member of the economics faculty at Southern Illinois University at Carbondale. I joined that faculty in 1963. While at SIU I served at different times as chairman of the economics department, chairman of the Liberal Arts Council, and president of the local chapter of the American Association of University Professors.

While on leave from that faculty I worked for 1 year as a research economist with the Federal Power Commission and served one semester as a visiting professor at Washington University in St. Louis. My principal teaching areas were macroeconomics, statistics, and industrial organization. My principal writings have been in the field of macroeconomics and public utility economics.

As the members of this committee know, the responsibilities of the FERC for the regulation of the electric and gas industries are substantial, but the FERC is only one part of the Nation's utility regulatory system. A second part is the State regulatory bodies. I suggest that this system can work well only if the two parts complement one another. All too often in the past they have not done so.

I suggest further that a valuable part of my contribution to decisionmaking at the FERC will be my knowledge and experience gained as a State regulator. This experience has brought familiarity with the problems of State utility commissions, of electric and gas utilities, and especially the problems of customers of those utilities.

One of the responsibilities of a State regulator is to work with other State regulators in developing positions on common problems and to express those problems to Federal officials and to the interested public. I have tried to fulfill this responsibility by serving on

the Gas Committee of the National Association of Regulatory Utility Commissioners and by my writings and speeches, and in so doing I have developed some familiarity with energy issues as they appear to other State regulators.

As a result of these efforts and my past experience and education, I believe that I have an awareness of many of the regional interests which commissioners at the FERC must recognize, and an understanding of some of the problems of the United States in the international energy economy. Obviously in both of these areas I need to learn a great deal more and I intend to do so as quickly as my time, energy, and resources of the FERC will permit.

A regulator must accept the goals and constraints imposed by lawmakers. To the extent, however, that law permits the regulator discretion, he or she has an obligation to formulate a philosophy of economic regulation. The broad thrust of my philosophy of regulation can be summarized in two statements—first, a priori reasoning and a century of experience support the view that certain economic activities cannot be as efficiently provided in a market with free entry as they can under monopoly or limited monopoly conditions. Electricity and gas distribution are two such activities.

Second, economic regulators should view skeptically forms of regulation which strengthen the monopoly power of regulated firms beyond that which production economies clearly justify.

In summary, Mr. Chairman, I believe I have experience which would enable me to make an effective contribution to the FERC. I will be honored if this committee chooses to approve me for that position.

Thank you.

The CHAIRMAN. Thank you.

Senator Ford.

Senator FORD. Thank you, Mr. Chairman. I was kind of sitting back waiting for you to ask the questions. I will have to dig here just a little bit.

I am not going to take full time, Doctor, but I will have some written questions for you and hope that you can get the answers back to us expeditiously if you will so there won't be any reason to hold up consideration of your nomination.

You have done a lot of writing and made a great many statements. Some have been in recent vintage and others several years back. I want to find out today if your philosophy is the same as it was at the time you wrote your paper and if you have mellowed or changed your position as it relates to some of the problems that you have faced and some of the decisions.

Let me start with deregulation if I may in the natural gasfield. Do you, sir, believe that FERC has authority under the Natural Gas Act and the Natural Gas Policy Act to accomplish deregulation of all, including old, natural gas by so-called administrative decontrol?

Dr. STALON. Senator, as you know, I am an economist, not a lawyer, so I must respond primarily on the basis of advice of an attorney.

Senator FORD. You just talk to me because I am not a lawyer and we will both understand each other. These lawyers that I am bracketed by here——

The CHAIRMAN. Be careful. He's an economist.

Senator FORD. Well, I understand that. You point me in a different direction. We have fun on this committee. Just relax and let the butterflies go away and you tell me how you feel. Don't worry about the lawyers.

Dr. STALON. I gather that the ability of the FERC to deregulate administratively is not well founded, that there is a great deal of skepticism about that, although there does seem to be some authority inherent in the law to raise the price of certain old gas.

I would have to say at this time that I think it would be rather difficult to find the authority in the law to administratively deregulate old gas. I, however, as an economist would fundamentally have to rely upon the counsel of the attorneys of the FERC for final word on the appropriate interpretation of the jurisdictional powers of the FERC.

Senator FORD. Let me ask you this question. Do you have the ability to appoint your own staff or to assemble certain members for your staff?

Dr. STALON. I assemble certain members—three technical advisers—

Senator FORD. One of those could not be a lawyer?

Dr. STALON. Yes, sir. I presume one will be a lawyer.

Senator FORD. Somebody you can rely on and understand?

Dr. STALON. Yes.

Senator FORD. You have written several articles about natural gas prices and policy. Your views in favor of, I believe it is called cold turkey deregulation, all natural gas prices I think are well documented.

Do you still advocate total deregulation, including so-called old natural gas?

Dr. STALON. I must give a two-part answer. First, obviously as a commissioner what I will or will not do will depend essentially on the laws enacted by the Congress, but expressing the broad philosophical view which I have clearly expressed in the past, I think it is in the national interest to completely deregulate in an orderly way the field price of natural gas.

Senator FORD. How do you interpret the law now as it relates—based on what Congress tells you to do? We won't be I think passing any natural gas legislation in the next few days or next few weeks even. How do you feel about it now?

Dr. STALON. We, I believe, as a nation under the leadership of the Congress committed ourselves to the full deregulation of natural gas over a prolonged, a very prolonged transition period in the Natural Energy Act of 1978.

Senator FORD. If you were to deregulate old gas, what would you do about gas that is selling above the market clearing price such as deep and tight sands gas?

Dr. STALON. I believe I am on record as asserting, and if not I would like to assert now, that the process of deregulation requires that to get the full benefits we must do something about the contracts problem at the wellhead, the problem of take-or-pay arrangements, and the problem of escalator clauses, that those clauses must be disarmed in order for the benefits of deregulation to accrue to the ratepayers and the gas industry.

Assuming that that problem can be handled, then the market, I am convinced, will bring down the price of certain high-priced gas as it forces up the price of low-priced gas, and while the theory, or a priori reasoning, does not permit a precise answer, the average price of gas for the Nation, I believe, would not rise. As a matter of fact, I think one can make a fairly good case that it would fall, although the case is not compelling.

The second part of the answer I would offer is that conditions today, I believe, are such that the price of gas is being supported by the system of regulation rather than being held down, and the prices are clearly higher than they ought to be.

Senator FORD. Well, you stated in an article in 1981 that the vintage gas price system at the wellhead generates improper price signals. Natural gas prices have risen substantially since then and are now generally competitive with alternative fuels.

Do you still believe that improper price signals are being sent?

Dr. STALON. Yes, I believe they are being sent. The problem has changed somewhat since I wrote the article. I am not sure that it has gotten much better, but any time we have a commodity where the price between two different geographical points differs by substantially more than the cost of transportation, we have an improper price signal being created.

Second, an element of impropriety in the current price system is prices higher than the market clearing price in many markets in the country that can't be brought down because of regulatory structures.

Senator FORD. Let's get back to the price contracts a little bit. In a November 1981 paper you also said, and I quote from that:

> Contracts which based the price of gas on a price or prices in other contracts between different parties are illegal . . .

Apparently you used some legalistic judgment in that point.

> . . . are illegal restraint of trade elsewhere in the economic system. They cannot be permitted to exist in the non-regulated segment of the natural gas industry. To permit their continued existence would be to permit producers to retain the privilege of regulation after releasing them from the responsibility of regulation.

End of quote; contracts including favored-nation clauses are pervasive in the natural gas industry.

As a FERC commissioner, what would you propose to do about that type of contract?

Dr. STALON. Favored-nation contracts in and of themselves on a small scale in an industry are in my view tolerable. The problem arises when they become pervasive in the industry, and therefore become the equivalent of a form of conscious parallelism in pricing and frustrate the ability of the market to respond to demand changes, and I think that is clearly what we have created in this Nation in the last decade or so.

We have created circumstances where clauses such as favored-nation clauses when tied together with other clauses tying the price of gas to external markets, together with the overlay of regulation, have created prices which are relatively insensitive to market forces, especially to demand reductions, and have led to unnecessarily high prices now for several years.

Senator FORD. Mr. Chairman, my 10 minutes is up, and I just want to ask one quick question before I give up on the witness for a minute.

What is the scale of favored-nations contracts? Is it that a few of them could be tolerated? Are they pervasive? What is the precentage? Where would you put them and where would you stop them?

Dr. STALON. I don't have a good answer to that. There are many areas in antitrust law where things are permissible when done on a small scale but not when extended over a broad range of activity. In the abstract the test is when the prices being established cease to respond quickly and effectively to demand and supply forces in the market.

Senator FORD. Well, if they were pervasive, what would you propose to do about them? And you say they are.

Dr. STALON. Within the context of the law which gives the FERC permission to regulate, I believe the Commission should act to discourage the pervasiveness by limiting their scope. In a fully deregulated market, I think that would be a problem for the Department of Justice and the Federal Trade Commission rather than the FERC.

The CHAIRMAN. Thank you, Senator Ford. Senator Hecht, did you have any?

Senator Murkowski.

Senator MURKOWSKI. Thank you, Mr. Chairman. I certainly welcome the consideration of Mr. Stalon this morning.

I would wonder if you are aware of a pending case before FERC involving the Trans-Alaska Pipeline rate case which has been pending since 1977?

Dr. STALON. No; I am not, Senator.

Senator MURKOWSKI. Well, it is my understanding that millions of dollars of legal fees have been spent on that, on that particular pending matter, and the ability to get it resolved seems to somehow be escaping us. It has been considered a full employment for some of the attorneys that are working on it, and I am wondering what your attitude is as a prospective member of attempting to expedite some of these extensive litigations that obviously are costing the taxpayers of both the United States and our State of Alaska a tremendous amount of money, millions and millions and millions of dollars in litigation, and while there is billions of dollars at stake in the decision, ultimately that decision is going to have to be made.

Dr. STALON. I can respond I believe in general, Senator, with two points.

First is that I have as a State commissioner worked very hard to avoid the kind of delays that seem to be inherent in the system, to accelerate cases as much as possible.

The second point, however, is on the other side, I have also learned that it is very difficult to do given all of the due process safeguards which have been built into administrative procedures acts and court decisions to keep State officers from making arbitrary or capricious decisions or even decisions which have a touch of that.

Time delays are built into the system. I cannot comment, however, knowledgeably on that particular case.

Senator MURKOWSKI. In your experience previous in responsibilities, do you feel it is appropriate to establish some type of a procedure—I am not suggesting comparison to sunset laws, but something to ensure that at some point in time it is resolved either by addressing the conditions or terms on which you have to take it up as opposed to just having it continue to be out there subject to the individual interpretation and challenge of whatever powers might be?

Dr. STALON. I have worked for more than 6 years under a State law, which in a broad range of cases, demands a decision out of the Commission in 11 months. I have publicly supported that law and opposed any attempt to repeal it on the grounds that while the quality of decision may be a little lower, the timeliness of it more than compensates for the reduction in quality.

I, however, am not appropriately informed on the range of FERC decisions to offer a suggestion as to whether there exists a subset of FERC decisions which could be so labeled, but also I believe it requires the lawmakers to be willing to tolerate a slightly lower quality of decision.

Senator MURKOWSKI. Mr. Chairman, I thank you for the opportunity to question the witness, and I would certainly look forward when you do get down there, that if you have an opportunity to take a look at this and evaluate it from your own professional point of view, and I would certainly be interested in your reaction as to whether there has been an extraordinary timeframe and amount of money or whether in your opinion it is quite reasonable and should be allowed to continue in never-never land.

Dr. STALON. I will do that.

Senator MURKOWSKI. Thank you.

The CHAIRMAN. Thank you very much, Senator Murkowski. Senator Ford, did you have further questions?

Senator FORD. I have a few more. I don't know how long you want to go here, Mr. Chairman. I think the next witness or next nominee probably will not have the same number of questions.

I would like to get back, Mr. Stalon, to the contracts that I had to leave when we were chatting a moment ago.

In a recent paper of yours, it says the utility act or wellhead deregulation, pricing and regulation problems calls for Government action to modify take or pay. That comes from page 65 of the paper.

What kind of Government action do you have in mind? Abrogation of contracts?

Dr. STALON. That is a harsh term to use, but it may well be the precisely correct one, Senator.

We have imposed upon the ratepayers of this country now for almost 2 years unnecessary high prices for natural gas at the burner tip in many markets of the country—not in all.

The principal reason why that seems to have developed is that the regulatory system working jointly with the Natural Gas Policy Act created circumstances where wellhead prices are not responsive to demand reductions. I think the Nation, to make this system work well and create a regulatory system which complements the congressional intent to deregulate wellhead prices, needs to modify

temporarily—not permanently but temporarily—the structure of contracts at the wellhead between the pipelines and producers.

I realize it is a difficult step for the Congress because of the importance of contracts in a society essentially built around free contracts, but my attorney friends tell me that it has been done, that it is apparently constitutional for the Congress in the face of clearly defined public interest, to modify contracts, and I do not see any other way out of this position except over an unusually long, drawn-out process where the market itself renegotiates the contracts. But during that long transition period, the ratepayers will be paying higher than necessary prices for gas.

Senator FORD. We have done a lot of reading about you because you have written quite a bit. Let's look at July 1983. A report was released by the Illinois Commerce Commission entitled, "Natural Gas Legislation from a Consumer's Perspective." The report urges the adoption of S. 1119.

This bill among other things would allow gas purchasers to market out all of their current contracts and on Janaury 1. 1985, producers could market out all of their old contracts.

Did you support this report when it was published? And if so, do you still believe that legislative market outs are appropriate?

Dr. STALON. Again, let me try a two-part answer. First, many things come out of the Illinois Commerce Commission by the staff or by the chairman that I have not had much of a role in. I cannot say precisely whether I helped in writing that or whether I have some responsibility for the selection of words.

However, I think I can answer the second part of your question very well. If the only way we can ease the contracts problem and get the price of gas down is through an expansion of market-out rights, then I would support the expansion of market-out rights.

We must get the price of gas down to reflect the current market pressures, not supported by the regulatory system higher than is in the national interest and ratepayers' interest.

Senator FORD. The report I previously cited, that you just answered the question on, also states that old gas decontrol will lower the Canadian and Mexican prices.

Can you explain how that would happen in the absence of breaching international contracts? And if so, do you support breaching international contracts, or are you opposed to any new Canadian/United States import licenses?

Dr. STALON. First let me say I do not support breaching of international contracts and treaties. That is not what I intended to say.

My argument is a fairly straightforward one based principally on a couple of key economic principles. One is the existence of vintage prices. The vintage pricing system at the wellhead makes it possible for some producers, as you well know, to produce gas at a $5 price, ship it 400 miles, sell it for $4, and make a profit. The Canadians were essentially in that position. So were the Mexicans.

If we proceed with the deregulation of wellhead prices, it is reasonable to expect a pattern of prices across the Nation to be fairly uniform, differing no more between two locations than the cost of shipment, and as a consequence, it becomes impossible then for a producer to sell at a price higher than the free market determined price, and I would presume in that case that both the Canadians

and the Mexicans would make a decision as to whether they have enough monopoly power to raise the price in the United States, and if they do not, and I do not think they do, then they would make a conscious attempt to lower their own price in order to remain competitive in the U.S. market.

Senator FORD. Let me shift in the next minute or 2 then to the carriage area. The Illinois Commerce Commission is well known I think for advocating restructuring of the natural gas pipeline industry, making pipelines common carriers.

What are your personal views, Mr. Stalon, on this subject?

Dr. STALON. My personal views are that, first, it is vitally important that we increase competition at various points along the pipeline, at the city gate, at the wellhead, among and between pipelines. There are many ways of doing that, but fundamentally the best way in the long term is through some form of mandatory carriage. I have tried to stay away from the term "common carriage" because of its legal baggage, and return to the term "mandatory carriage" leaving that to be defined by law for a new circumstance.

That is a minor point, but while we can do a great deal as a Nation to increase competition between pipelines, and among pipelines, and therefore reduce the burden of regulation, the long-run target, I believe, should be some form of mandatory carriage as the most efficient competitive device. It brings the end user and the producer together, and I believe would permit those markets to reflect demand changes quickly in a very timely manner and appropriately, so I find arguments for some form of mandatory carriage very persuasive, and I think the long-term policy of the Nation should evolve in that direction.

Senator FORD. This will be my last question. The rest of them will be in writing to you.

Just explain to the committee then the difference between the common carriage and what is known as mandatory contract carriage which you prefer.

Dr. STALON. I prefer the term "mandatory carriage" because the term 'common carriage' has a lot of precedents built into it, for example, how capacity will be rationed out in periods of shortage of capacity. I am fearful of the transfer of those long traditions of the allocation of capacity blanketly over to the pipelines—I think in special cases the pipelines deserve special rules for the allocation of capacity, and I believe that decision should be made without being tied to the long tradition of common carriage.

Senator FORD. Thank you, Mr. Chairman. I will have several other questions that I will submit to you and have written answers.

Dr. STALON. Thank you.

The CHAIRMAN. Thank you, Senator Ford. Senator Hecht?

Senator HECHT. Thank you, Mr. Chairman. Dr. Stalon, I would like to make one comment. I am looking at your biography here. We were both born in Cape Girardeau, MO. We both went to Central High School at the same time. I graduated in 1945, and I see you graduated in 1947, so anyone from Cape Girardeau and Central High School has got to be awfully good.

Dr. STALON. Senator, you and I were also in the same Boy Scout troop for about a year.

Senator HECHT. Is that right?

Senator FORD. Mr. Chairman, it's obvious neither made an impression on the other.

Dr. STALON. Senator, in high school, seniors did not recognize sophomores. I was a sophomore.

Senator HECHT. Thank you, Mr. Chairman.

The CHAIRMAN. Thank you. There will be questions to be submitted to the witness for a response in writing. We would appreciate a prompt response so that we can move forward with further committee action with respect to the nomination.

Dr. Stalon, thank you very much for your testimony here today.

Mr. Broadbent, would you come forward? And as you know, the rules of the committee require that you be sworn. Before taking your seat, would you raise your right hand?

[Whereupon, Robert N. Broadbent was duly sworn by the chairman.]

The CHAIRMAN. Thank you. Be seated. Again we will go through the familiar questions that we ask of all nominees before this committee.

Will you be available to appear before this committee and other congressional committees to represent departmental positions and respond to issues of concern to the Congress?

Mr. BROADBENT. Yes, sir.

The CHAIRMAN. Your informational statement has been submitted to the committee. However, it is required that this statement be made public unless the committee decides that special circumstances justify an exception.

Do you have any objection to the publication of your informational statement?

Mr. BROADBENT. No, sir.

The CHAIRMAN. Are you aware of any personal holdings, investments, or interests that could constitute a conflict of interest or create the appearance of such a conflict should you be confirmed and assume the office to which you have been nominated by the President?

Mr. BROADBENT. Mr. Chairman, I have been informed by the Department of the Interior's acting designated agency ethics official that the financial interests held by the trustee of the Hope G. Broadbent Trust, who is my mother, in Sierra Pacific Power Co. and Southwest Gas Corp., and Henderson Petroleum Co., are unacceptable under current regulation.

I will take the action to dispose of these prohibited financial interests upon confirmation.

The CHAIRMAN. Are you involved in or do you have any assets held in blind trusts?

Mr. BROADBENT. No, sir.

The CHAIRMAN. Mr. Broadbent, before proceeding I would like to recognize the fact that your wife is present also, and she is most welcome before this committee.

Mr. BROADBENT. Thank you very much, Mr. Chairman. It's nice to have her here, too,

The CHAIRMAN. I'm sure it is. With that, you may proceed with your statement.

STATEMENT OF ROBERT N. BROADBENT, NOMINEE TO BE ASSISTANT SECRETARY OF THE INTERIOR FOR WATER AND SCIENCE

Mr. BROADBENT. Mr. Chairman, my statement has been submitted for the record, and I would like to ask that it be a matter of record.

I would just like to make a few, I guess, unrehearsed comments if I could.

For the past 3 years it has been my honor to serve the administration as Commissioner of Reclamation. It is primarily an organization, as you are aware, that deals with western water. It has had a good deal of controversy over time and has been a real challenge to me as well as to the members of the administration that came with me, but again, it has been my privilege to be able to do that.

I think I would like to emphasize, if I could for a few minutes, the new Assistant Secretary for Water and Science. That is covered a little bit in my statement, but I think that this new Assistant Secretariat gives the Department of the Interior an opportunity to focus on the water issues, not only in the West but in the Nation as a whole, and to look at the science.

In the Department of the Interior I have found in the Bureau of Mines and the U.S. Geological Survey two of the real fine organizations in Government as it pertains to scientific knowledge, data management, data gathering, and a true professionalism that makes me proud to be associated with them.

As you look at that national water summary that was recently put out by the U.S. Geological Survey and some of their other work, those kind of things are going to be a tremendous, tremendous benefit to this Nation as it tackles the problem we have of water quality, water quantity, water competition, water supply, and some of the many issues that are going to have to be addressed in the future in this country.

I look forward to the opportunity if confirmed to be a part of the Department of the Interior in a very challenging job in this Assistant Secretariat.

[The prepared statement of Mr. Broadbent follows:]

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STATEMENT OF ROBERT N. BROADBENT
NOMINEE TO BE
ASSISTANT SECRETARY OF THE INTERIOR FOR WATER AND SCIENCE

Mr. Chairman and members of the committee, my name is Robert N. Broadbent. I am honored to appear before you today as President Reagan's nominee for the position of Assistant Secretary of the Interior for Water and Science.

For the past three years I have been serving as Commissioner of Reclamation. The Bureau of Reclamation has a $1 billion dollar budget and employs more than 8,000 people. Although I have found the job of Commissioner both challenging and exciting, I look forward to serving as the first Assistant Secretary for Water and Science, if confirmed.

As Commissioner of Reclamation, I have had several opportunities to appear before this committee and represent the Administration on water-related issues. Because we have had the opportunity to discuss the operation of the Bureau of Reclamation, I would like to center my remarks on the direction of the recently organized office of the Assistant Secretary for Water and Science in the Department of the Interior.

As you know, the Assistant Secretary for Water and Science has oversight duties for the Bureau of Reclamation, U.S. Geological Survey, and the Bureau of Mines. Interestingly enough, the Bureau of Reclamation and the Bureau of Mines were part of the original Geological Survey. The reunion of these agencies under the leadership of the same Assistant Secretary at this time is especially appropriate as it provides a new focus on two areas of growing concern, our Nation's water and our Nation's mineral resources.

The quality and availablity of water is becoming an issue of increasing importance throughout the Nation. Prior to the recent realignment of responsibilities within the Department, the water-related programs of

Interior were not centralized. The extensive water research and data gathering programs of the Geological Survey, which cover the entire Nation, were under the direction of the Assistant Secretary for Energy and Minerals. Although it is undoubtedly true that water plays an important role in our energy and minerals industries, the work of the USGS Water Resources Division simply wasn't getting the public attention it deserves. Now, the most capable national water data gathering and research organization which exists is under the direction of an Assistant Secretary designated to deal with both water development and water data issues. Not only is that a good managerial move, it should provide wider exposure for the national water programs in which Interior is involved.

The basic and applied research programs of the Geological Survey and the Bureau of Mines are also under the direction of the Assistant Secretary for Water and Science. Leaders in both the Federal Government and the private sector have expressed increasing concern over the ability of our Nation's minerals extraction and processing industries to survive and compete. The information provided by these two agencies plays an essential role in both Federal and private decisionmaking on the development and use of our natural resources. The USGS provides basic information on the geology of the Nation, which is central to any minerals exploration program, and relays that information through a series of extensive and useful maps. The Bureau of Mines provides data on the world's minerals production and consumption, as well as research designed to improve the safety and productivity of the Nation's mines and processing plants. Both agencies provide vital data on the occurence of minerals in proposed wilderness areas. In addition, Secretary Clark has asked the Assistant Secretary for Water and Science to be the designated Federal representative

on the newly formed Strategic Materials and Minerals Program Advisory Committee, which will address such areas as the stockpile, lands availability, processing capacity in areas such as the ferroalloy and copper industries, and foriegn trade and investment issues.

I believe that this realignment will provide better management of our research programs. It should also improve our working relationship with the academic and scientific communities as well. I look forward to building on our relationship with these groups, which have provided much valuable imput into Interior programs in the past.

In summary, I believe the new Assistant Secretary post offers the potential for improved Federal response to the water and minerals problems of the Nation by centralizing the data gathering, research and development capabilities of the Department of the Interior and expanding our ties with the Nation's academic and scientific communities.

I would be happy to respond to any questions you might have.

The CHAIRMAN. Thank you very much. It's nice to have you before the committee again. We had the opportunity to become acquainted in your other incarnation. We will see if you behave differently in this one.

Senator Ford?

Senator FORD. Thank you, Mr. Chairman. I have no questions of the nominee. I would just say this. One of the finest friends I have in Kentucky is named Broadbent, and we are hunting buddies, and so when you are hunting buddies you know each other pretty well. From the accolades that were given to you this morning by the two Senators and Congressmen from your State, that indicates that you carry the name Broadbent very well compared to the Broadbent I know in Kentucky.

If you ever find that you are related to them, it won't hurt you one bit.

Mr. BROADBENT. Well, I take that as a real compliment. Would you please pass on to your good friend the same thing, that we hope we can carry the same standard that he has?

The CHAIRMAN. I was informed before Senator Metzenbaum had to leave to go to the Judiciary Committee that he wanted to be here to ask some questions. I think perhaps we will just hold in abeyance for a moment to see if he is on his way from the Judiciary Committee at this time.

Senator FORD. Mr. Chairman, I will leave, and it is no reflection on the nominee or especially his wife, but since I have no questions and look forward to supporting your nomination—I am supposed to note for the record that you graduated from a school in Idaho.

Mr. BROADBENT. Yes. That's right.

Senator FORD. I always slip up. When I get a chance to get a chip, I never remember.

Mr. BROADBENT. In fact, I still have a lot of friends in the State of Idaho, most of them in drugstores.

[Brief pause in the proceedings.]

The CHAIRMAN. I have been informed that Senator Metzenbaum has been unavoidably detained in the Judiciary Committee. He will submit his questions for the record for response in writing, and I think the same is true of the other Senators who have expressed an interest.

The record will remain open for the submission of questions in writing and their responses in writing. All members who have questions should get them in by the close of business today for submittal to the nominee.

Mr. BROADBENT. Mr. Chairman, I will be very happy to respond quickly.

The CHAIRMAN. Thank you very much. I know of no further matter to come before the committee at this time. The committee is adjourned.

Mr. BROADBENT. Thank you very much.

The CHAIRMAN. Thank you, sir.

[Whereupon, at 11:17 a.m., the hearing was adjourned.]

APPENDIXES

APPENDIX I

Biographies and Informational Statements of the Nominees

BIOGRAPHY OF DR. CHARLES GARY STALON

Charles Stalon is currently a Commissioner on the Illinois Commerce Commission. He was appointed to that Commission in September, 1977 and reappointed in 1981 for a term which expires in January, 1986.

Prior to his appointment to the Il.C.C., Dr. Stalon was an associate professor of economics at Southern Illinois University at Carbondale. He joined that faculty in 1963. While at S.I.U, he served at different times as Chairman of the Economics Department, Chairman of the Liberal Arts Council, and President of the local chapter of the American Association of University Professors. On leave from SIU he worked as a research economist for the Federal Power Commission from September, 1969 to September, 1970 and as a visiting associate professor at Washington University in St. Louis for the Spring Semester 1972. Dr. Stalon's principal teaching areas were macroeconomics, statistics, and industrial organization. His principal writings have been in the fields of macroeconomics and public utility economics.

Dr. Stalon was born in Cape Girardeau, Missouri in October, 1929. He was, after his mother's death, reared by his maternal grandparents, Charles and Vallie Row. He graduated from Central High School of Cape Girardeau in 1947 and briefly attended Southeast Missouri State College in 1948. During high school he worked as a pin boy in a bowling alley and as a drug store clerk. In the year between graduating from high school and entering college, he worked as a deckhand on Mississippi River towboats.

Leaving college after two terms, Dr. Stalon enlisted in the U.S. Navy in August, 1948. After boot camp and radio operators school, he served the remainder of his one year enlistment on the U.S.S. Taconic AGC-17. Upon discharge from the Navy, Dr. Stalon returned to river boating, working as a deckhand, oiler and mate on several towboats. He was recalled to the Navy in May, 1952. In his second tour of duty, he served as a radio operator on the U.S.S. Otterstetter, DER 214, earning the rank of Radio Operator Third Class.

After receiving a second honorable discharge in January, 1954, Dr. Stalon returned to working as a mate on a Mississippi River towboat for a few months. In August, 1954 he was employed as a Ground Radio Operator for Trans World Airlines. This job he held in Columbus, Ohio and Indianapolis, Indiana until he completed his undergraduate education at Ohio State and Butler Universities. Upon graduation from Butler in August, 1959, he received a National Defense Education Act fellowship to pursue graduate work at Purdue University. He earned an M.S. degree from Purdue in 1963 and a Ph.D. in 1966.

In 1952 Dr. Stalon married Marie Allene Hitt, the daughter of Grover and Ester Hitt of rural Commerce, Missouri. The couple has two daughters, Connie Lucille Babbitt of Hales Corner, Wisconsin, and Donna Jean Williams of Murphysboro, Illinois.

5/84

UNITED STATES SENATE
COMMITTEE ON ENERGY AND NATURAL RESOURCES

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: Stalon (LAST) Charles (FIRST) Gary (OTHER)

Position to which nominated: Commissioner FERC

Date of nomination: May 21, 1984

Date of birth: 26 (DAY) Oct. (MONTH) 1929 (YEAR) Place of birth: Cape Girardeau, Missouri

Marital status: Married Full name of spouse: Marie Allene (Hitt) Stalon

Name and ages of children: Connie Lucille (Stalon) Babbitt Age 30

Donna Jean (Stalon) Williams Age 29

Education:

Institution	Dates attended	Degrees received	Dates of degrees
Purdue University	1959-1963	Ph.D	1966
Purdue University	1959-1963	M.S.	1963
Butler University	1956-1959	B.A.	1959
Ohio State University	1955-1956	None	-
Southeast Missouri State College	1948	None	-

Employment record: List below all positions held since college, including the title and description of job, name of employer, location, and dates.

September 1977 to Present, Commissioner, Illinois Commerce Commission

June 1963 - September 1977, Faculty Member, Economics Department Southern Illinois University, Carbondale, Ill.

September 1969 - 1970, Research Economist, Federal Power Commission, Washington, D.C.

January 1972 - May 1972, Visiting Associate Professor

Employment record—Continued

of Economics, Washington University,
St. Louis, Missouri

Military service: Enter all military service if not included above: service, dates, rank, type of discharge.

U.S. Navy, Volunteer, August 1948-August 1949
U.S. Navy, recalled to duty, May 1952 to January 1954
Radio Operator Third Class, Honorable Discharges

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships and any other special recognitions for outstanding service or achievement.

National Defense Education Act, September, 1959-June, 1962
National Science Foundation, Summer 1962
Ford Foundation, September, 1962 - June 1963
Krannert Foundation, Summer 1965
All four were grants of money to support my graduate education.

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
*National Association of Regulatory Utility Commissioners, Gas Committee	Member	Since 1980
*Mid-America Regulatory Conference	President	Since June, 1983
*Gas Research Institute Advisory Council	Member	Since 1981
National Society of Rate of Return Analysts, Board of Directors	Member	Since 1982

(Attachment 1)

Attachment 1

Institute for Study of Regulation, Advisory Committee, member since 1981

Ad Hoc Committee on Access, member since 1981

National Academy of Sciences, Panel on Gas Statistics, member since 1983

National Regulatory Research Institute, Board of Directors, member since 1984

Illinois Economic Association, member since 1970

American Economic Association (AEA), member since 1962

Transportation and Public Utility Group of the AEA, member since 1970

Missouri Valley Economic Association, member since 1974

*I will resign from these organizations prior to taking the Oath of office.

Published writings: List the titles, publishers and dates of any books, articles, or reports you have written.

Recent Writings

"Trucking Regulations within Illinois: Impressions of a New Commissioner", Transportation Journal, Vol. 18, No. 2, Winter 1978, pp. 42-48.

"Viability and Acceptability of Local Measured Service: Comments from a Regulator's Viewpoint," to the Telecommunications Industry Workship, Kansas City, Missouri, March, 1979. (Published in the proceedings.)

"Navigating the Rapids of Local Measured Service," 1980 Proceedings on Rate Symposium on Problems of Regulated Industries, Extension Publications, University of Missouri-Columbia, Columbia, Missouri, pp. 337-42.

"Microeconomic Decision Making in an Unstable Macroeconomic Environment," Conference Proceedings #92, Resource Planning Associates, October 21, 1980, pp. 521-31.

"Transportation Policy Making in a Democratic Society: An Economic Reformer's Dilemma," Eastern Transportation Law Seminar, 1980, pp. 87-90.

"Natural Gas Pricing: Which Error Should the Nation Commit?" NARUC 92nd Annual Convention, 1980, pp. 148-57.

"Some Views on Optimal Wellhead Bargains," 1981 Proceedings on Rate Symposium on Problems of Regulated Industries, Extension Publications, University of Missouri-Columbia, Columbia, Missouri, pp. 241-51.

"The Role of State Regulation: Promoting Self-Reliance," Illinois Energy Policy: Toward Self-Reliance, Proceedings of the Tenth Annual ENR Conference, (Illinois Department of Energy and Natural Resources), Chicago, Illinois, September, 1981. pp. 77-85.

"Deregulation of the Electric Generating Industry: Some Unsystematic Observation," to the Edison Electric Institute's Financial Conference, Palm Beach, Florida, October, 1981. (Published in the proceedings.)

"Translating Price Theory into Practice in Public Utilities," 1981 Illinois Economic Association Proceedings, pp. 41-45.

"How May Investors' Real Rates of Return be Estimated?" to the Advanced Seminar/Workshop on Earnings Regulation of The Institute for Study of Regulation, Washington, D.C., November, 1981. (Published in the proceedings.)

"Deregulation of Wellhead Prices: For What Purpose?" NARUC, 93rd Annual Convention, 1981, pp. 20-26.

"Some Economic Consequences of the Tax Act of 1981 on Capital Intensive Utilities," Diversification, Deregulation and Increased Uncertainty in the Public Utility Industries, 1983 MSU Public Utilities Papers, pp. 72-85.

"Introductory Remarks to the Panel on Regulatory Response to the Restructuring of the Telecommunications Industry," 1982 Proceedings on Rate Symposium on Problems of Regulated Industries, Extension Publications, University of Missouri-Columbia, Columbia, Missouri, pp. 303-11.

"An Analysis of Important Defects in the Current Process of Natural Gas Deregulation," Iowa State University Regulatory Conference, 1981, Vol. 21, pp. 278-87.

"A State Regulator's Response to Selected Issues Raised During the Proceedings," to the Workshop on Local Access: Strategies for Public Policy, St. Louis, Missouri, sponsored by the Ad Hoc Committee on Access, September, 1982. (To be published.)

"History of the Energy Regulatory Process in Illinois," The Illinois Energy Utility System: Strategies for the 80's, proceedings of the Itasca Colloquium, Sunset Task Force on Utility Regulatory Reform, Illinois Department of Energy and Natural Resources, Springfield, Illinois, November, 1982, pp. 107-59.

"On Why State Regulators Should be Disturbed About Current Federal Utility Tax Policy," NARUC, 94th Annual Convention, 1982, pp. 131-48.

"On Barriers to Explicit Policy Making in State PUCs," to the Session on The Role of Policy Research in State Regulatory Proceedings at the Eleventh Annual Telecommunications Policy Research Conference, Annapolis, Maryland, April, 1983. (To be published.)

"The New Economics of Old Gas Utilities," to the annual meeting of The International Association of Energy Economists, Washington, D.C., June, 1983. (To be published.)

"The Current Natural Gas Industry: Some Comments," Natural Gas Deregulation: Its Impact on Illinois and the Midwest, Proceed-

ings of the 11th Annual Illinois Energy Conference, October, 1983, University of Illinois at Chicago, pp. 111-13.

"The Economics of Capital Recovery," to the 95th Annual Convention of the National Association of Regulatory Utility Commissioners, Detroit, Michigan, November, 1983. (To be published.)

Published Writings: Old

"Promotional Practices of Public Utilities: A survey of Recent actions by State Regulatory Commission," A report to the Subcommittee on Regulatory Agencies, Select Committee on Small Business, U.S. House of Representatives. Published by the Federal Power Commission, March, 1970.

"An Economic Analysis of Some Implication of FPC Ceiling Prices on the Supply of and Demand for Natural Gas", testimony presented in Docket AR-69-1, Area Rate Proceedings, South Louisiana Area, Federal Power Commission, May, 1970.

"The Effects of Monopoly Power in the Initiation and Propagation of Price Level Changes," Papers in Quantitative Economics, eds. James Quirk and Arvid Zarley, University of Kansas Press, Lawrence, 1968.

"An Investigation of the Behavior of a Wholesale Type Price Index Under Conditions of Heterogeneous Price Charges," Ph.D. Dissertation, Purdue University, 1966.

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

Yes

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your current or any previous employer, business firm, association or organization.

No

3. Has anybody made you a commitment to a job after you leave government?

No

4. (a) If you have been appointed for a fixed term, do you expect to serve the full term?

Yes

(b) If you have been appointed for an indefinite term, do you have any known limitations on your willingness or ability to serve for the foreseeable future?

N.A.

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

None

2. List any investments, obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

None

Qualifications of Charles Stalon

My formal education is briefly described above, but it is worth noting that all three degrees are in economics. More important, however, is that a great deal of my time in both undergraduate and graduate schools was spent on economic policy matters.

My experience is, I believe, even more important than my formal education: First, I taught economics, including occasionally regulatory economics, for many years; second, I worked as a research economist in the Federal Power Commission for one year (during which time I served as an expert witness in one major gas area rate case), and third, I have spent the last six and one-half years as a state commissioner on an active state regulatory commission.

The list of my published writings given above is one indication of the breadth of my activities and interest during this period. Many of the regulatory issues that the FERC must treat, issues such as utility rate design, financial analysis, accounting analysis and certification analysis, are almost identical to the issues treated by the Illinois Commerce Commission.

An independent, multi-member regulatory body must be a collegial body. Its members must continually seek to develop and express their views while at the same time work towards a concensus view. My years on the Illinois Commerce Commission dealing with not only the electric and gas utilities but also with telephone, water and transportation utilities, have provided me with an abundance of experience in such a collegial environment.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself or relatives, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

None

4. List and describe any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or for the purpose of affecting the administration and execution of national law or public policy.

None

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

I expect to obtain advice from the General Counsel's office of FERC on potential conflicts. If a potential conflict exists, I will resign from any organization for which the potential exists.

6. Explain how you will comply with conflict of interest laws and regulations applicable to the position for which you have been nominated. Attach a statement from the appropriate agency official indicating what those laws and regulations are and how you will comply with them.

I will comply with all applicable conflict of interest laws and regulations and I intend to follow the counsel of the FERC ethics attorney.

Financial statement:

1. Attach a copy of your Executive Personnel Financial Disclosure Report (SF 278).

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, uncompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services and firm memberships or from former employers, clients, and customers. Amounts should be indicated by the categories established for reporting income on Form SF 278, Schedule A.

I intent to retain my pension rights in the Illinois State Universities Retirement System. Otherwise, none.

3. Are any assets pledged? (Add schedule.)

Home mortgage, Chester Savings and Loan, Chester, Illinois.

4. Are you currently a party to any legal action?

As an individual, no. As a Commissioner in the Illinois Commerce Commission, I may be named in many legal actions now before the courts.

5. Have you ever declared bankruptcy?

No

6. Have you filed a Federal income tax return for each of the last 10 years? If not, please explain.

Yes

7. Has the Internal Revenue Service ever audited your Federal tax return? If so, what resulted from the audit?

Yes. I have been audited twice. In both cases the original filing was approved.

AFFIDAVIT

) ss

Charles G. Stalon , being duly sworn, hereby states that he/she has read and signed the foregoing Statement for Completion by Presidential Nominees including the Financial Statement and that the information provided therein is, to the best of his/her knowledge and belief, current, accurate, and complete.

Charles G. Stalon

Subscribe and sworn before me this 21st day of May , 1984

Notary Public

U.S. GOVERNMENT PRINTING OFFICE

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

May 22, 1984

Honorable Charles G. Stalon
Commissioner
Illinois Commerce Commission
527 East Capitol Avenue
Springfield, Illinois 62706

Dear Commissioner Stalon:

This letter serves as the statement from the Designated Agency Ethics Counselor of this Commission required by question six (page five) of the Statement for Completion by Presidential Nominees that you are submitting to the United States Senate Committee on Energy and Natural Resources. I have reviewed your Standard Form 278 (Financial Disclosure Report), dated March 2, 1984, and have issued my opinion to David H. Martin, Director, Office of Government Ethics, that the Form discloses no conflicts of interest under the Department of Energy Organization Act (DOE Act), P. L. 95-91, the Commission's Standards of Conduct (18 C.F.R. §§3c.201-206) or the conflict of interest provisions generally applicable to Federal Government officials. My opinion was based on the understanding that you would, upon confirmation by the Senate, relinquish your positions as Commissioner of the Illinois Commerce Commission, President of the Mid-America Regulatory Conference, Member, NARUC Gas Committee, Member, Advisory Council, Gas Research Institute, and Member, Board of Directors, National Regulatory Research Institute.

Section 602(a) of the DOE Act prohibits supervisory employees from knowingly receiving compensation from, holding any official relation with, or having any pecuniary interest in any energy concern. The term "energy concern" is defined in Section 601(b) of the DOE Act to include any entity "significantly engaged in the business" of energy development, extraction, production, refining, transportation, distribution or sale, or significantly engaged in conducting research and development related to these activities, or in research, development or demonstration under a DOE-funded program. The term also includes any entity holding an interest in property from which coal, natural gas, crude oil, nuclear material or a renewable resource is commercially produced or obtained.

Further, Section 208, Title 18, United States Code, and applicable Commission regulations, 18 C.F.R. §3c.204(b)(3), prohibit a government official from participating personally and

substantially in any particular matter in which he, his spouse, minor child, partner, or organization in which he is serving as officer, director, trustee, partner, or employee, has a financial interest, or in which a prospective employer has a financial interest. This provision has been interpreted to prohibit participation in any particular matter whose effect on the relevant financial interest would be direct and predictable.

If I may be of further assistance, please let me know.

Sincerely,

Michael Schopf

Michael Schopf
Deputy General Counsel for
Legal and Administrative
Affairs

Enclosure

cc: Senate Committee on
Energy and Natural Resources

United States of America
Office of Government Ethics

Office of Personnel Management
Washington, D.C. 20415

MAY 23 1984

Honorable James A. McClure
Chairman, Committee on Energy and
Natural Resources
United States Senate
Washington, DC 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Charles G. Stalon, who has been nominated by President Reagan for the position of Commissioner, Federal Energy Regulatory Commission.

We have reviewed the report and have also obtained advice from the Federal Energy Regulatory Commission concerning any possible conflict in light of the Commission's functions and the nominee's proposed duties. Based upon the comments noted on the report by the Commission, we believe that Mr. Stalon is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin by DRS.

David H. Martin
Director

Enclosure

50

Reporting Status (Check Appropriate Box)

[ ] Incumbent [X] New Entrant, Nominee or Candidate [ ] Termination Report

NOTE: All schedules must be filled. Write "None" in areas or across schedules where appropriate.

Agency Use Only	OGE Use Only
Date of Filing (Month, Day, Year): 5/22/84	MAY 23 1984

	Last Name	First Name and Middle Initial
Reporting Individual's Name	Stalon	Charles G.
Position for Which Filing	Title of Position: Commissioner	Department or Agency (If Applicable): Federal Energy Regulatory Commission
Location of Present Office	Address (Number, Street, City, State and ZIP Code): Illinois Commerce Commission, 527 E. Capitol Ave., Springfield, Illinois 62706	Date of Appointment or Election or Nomination (Month, Day, Year): Pending
		Room Number: N.A.
		Telephone (Commercial, Area Code, Number): (217) 782-7701

Presidential Nominees Subject to Senate Confirmation	Name of Congressional Committee Considering Nomination: Energy and Natural Resources
	Do You Intend to Create a Qualified Trust? [ ] Yes [X] No

Position(s) Held with the Federal Government During the Preceding 12 Months (If Not Same as Above): Title of Position(s) and Date(s) Held: None

Certification: I CERTIFY that the statements I have made on this form and all attached schedules are true, complete and correct to the best of my knowledge and belief.

Signature of Reporting Individual: Charles G Stalon (300) 5/22/84 — Date (Month, Day, Year): March 2, 1984

Agency Ethics Official's Opinion: On the basis of information contained in this report, I conclude that there is no conflict of interest under applicable laws and regulations.

Signature of Designated Agency Ethics Official/Reviewing Official: Michael Schuyler — Date (Month, Day, Year): 5/22/84

Office of Government Ethics Use Only: 5/23/84

Signature of Reviewing Official: Lael V. Martin by (RJ) — Date (Month, Day, Year): 5/23/84

If additional space is required, use the reverse side of this sheet.

Mr. Stalon has agreed, upon confirmation by the Senate, to relinquish his positions as Commissioner, Illinois Commerce Commission, President, Mid-America Regulatory Conference, Member, Advisory Council, Gas Research Institute, and Member, Board of Directors, National Regulatory Research Institute.

(Check box if comments are continued on the reverse side) [ ]

INCOME AND INTERESTS IN PROPERTY

This schedule is applicable in the case of all reporting individuals

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		X*
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust? ... or "qualified" trust?		

Are there any interests in property, purchases, sales, or exchanges, or liabilities of a spouse or dependent child which you have not reported? Yes: | No: X

If "Yes," do you certify to all of the following?
1. They represent solely your spouse's or dependent child's financial interest or responsibility;
2. They are not, in any way, past or present, derived from your income, assets, or activities;
3. You neither derive, nor expect to derive, any financial or economic benefit from them; and
4. You do not have knowledge as to the composition of such interest or liabilities.

Yes: | No:

Page Number 2 | Schedule A

Reporting Individual's Name: Stalon, Charles G.

Agency Use Only

Date of Filing (Month, Day, Year)

Identification	Income: Type of Income (✓)	Income: Category of Amount or Value (✓)	Actual Amount (Only if "Other" Specified)	Date (Mo., Day, Yr.) (Only if Honoraria)	Interests in Property: Valuation Method	Interests in Property: Valuation of Assets (✓)
Illinois Commerce Commission	Salary 1983	X	$39,000			
Illinois Commerce Commission	Salary 1984	X	9,750	to 3/1/84		
Gas Research Institute*	Honorarium		300	5/27/83		
Gas Research Institute* 8600 West Bryn Mawr Ave., Chicago, Illinois	Honorarium		900	7/21-23/83		
Carbondale Savings and Loan (Saving Account), Carbondale, Ill.	X	X				
Individual Retirement Account Boston Safe Deposit & Trust Co., Custodian Illinois University Retirement System Urbana, Illinois	S				H	X
IRA S Boston Safe Deposit & Trust Co.	X				H	X
	X				H	X

* - In compliance with the Illinois Public Utilities Act these honorariums were contributed to the Treasury, State of Illinois.

SF 278 Financial Disclosure Report
(Rev. 5/81)

PURCHASES, SALES, AND EXCHANGES

Schedule applicable only in the case of annual and termination reports.

Page Number	3	Schedule B

Reporting Individual's Name: Stalon, Charles G.

Agency Use Only

Date of Filing (Month, Day, Year)

Report Applicable Transactions, Even if Also Reported on Schedule A

(a) Identification of Property (real and personal)	Type of Transaction			Date (Month, Day, Year)		Category of Amount or Value (✓)					
	Purchase	Sale	Exchange	Purchase	Sale or Exchange	$1,001 to $5,000	$5,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
N.A. - Appointee											

SF 278 Financial Disclosure Report
Rev. 8/91

GIFTS AND REIMBURSEMENTS

This schedule is applicable only in the case of annual and termination reports.

Page Number	4	Schedule C
Reporting Individual's Name: Stalon, Charles G.		
Agency Use Only		
Date of Filing (Month, Day, Year)		

I. Lodging, Transportation, Food and Entertainment—*List each source totaling $250 or more in value*

S or JC	Source (Name and Address)	Brief Description	
	N.A. - Appointee		

II. All Other Gifts—*List each source totaling $250 or more in value*

S or JC	Source (Name and Address)	Brief Description	Value
	N.A. - Appointee		

III. Reimbursements—*List each source totaling $250 or more in value*

S	Source (Name and Address)	Brief Description	Value
	N.A. - Appointee		

SF 278 - Financial Disclosure Report (Rev. 6/81)

This schedule, except as noted for the third section, is applicable in the case of all reporting individuals.

Reporting Individual's Name: Stalon, Charles G.

Agency Use Only — Date of Filing (Month, Day, Year)

Page Number 5

Schedule D

LIABILITIES

S or JC	Name and Address of Creditor	Type of Liability (e.g., promissory note, margin account) Give date, interest rate and, if applicable, term	Category of Amount or Value (✓) $10,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
	None						

POSITIONS HELD

Name and Address of Organization	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Illinois Commerce Commission	State Utility Regulatory Agency	Commissioner	Sept., 1977	Present March, 1984
(continued on attachment)				

COMPENSATION IN EXCESS OF $5,000 PAID BY ONE SOURCE (This section is applicable only in the case of nominees and new entrants.)

Name and Address of Source	Brief Description of Duties
Illinois Commerce Commission	State Officer, regulation of Public Utilities.

RELATIONS WITH OTHER EMPLOYERS

Description of Terms of Any Agreement or Arrangement	Parties	Date (Mo., Day, Yr.)
None		

June 1984

BIOGRAPHY OF ROBERT N. BROADBENT

Secretary of the Interior William Clark proposed the appointment of Robert N. Broadbent as the first Assistant Secretary for Water and Science on December 22, 1983, as part of the Secretary's Presidentially mandated review of policy, personnel, and process in the Department of the Interior. The President subsequently nominated Mr. Broadbent to that position on May 18, 1984.

Since March 16, 1981, Mr. Broadbent, 57, a native of Ely, Nevada, has been serving as Commissioner of Reclamation. In that position he directed the operations of the Bureau of Reclamation, a Federal agency with a budget of approximately $1 billion.

Prior to his appointment as Commissioner of Reclamation, Broadbent served as a Commissioner of Clark County, Nevada, for 12 years. As County Commissioner Broadbent served as a Director of the Las Vegas Valley Water District, a Trustee of the Clark County Sanitation District, and a member of the Regional Planning Council, the Clark County Health District, and the Regional Streets and Highways Board.

While he served as County Commissioner, Broadbent also represented the Nevada Association of Counties to the State Legislature as a lobbyist. In that position, he presented the counties' interests in such diverse areas as municipal and economic development, mining, and agriculture. He was President of the Nevada Association of Counties from 1974-1975.

From 1959 to 1968 he was a member of the Boulder City, Nevada, City Council and also served as the first Mayor of Boulder City. As Mayor, he was instrumental in negotiating the transfer of Boulder City from the Department of the Interior to its status as a Nevada municipality. This involved the transfer of 20,000 acres of land and city real property, equipment and supplies, along with sewer and electric utility contracts necessary to supply services to Boulder City.

Concurrent with his work in local government, Broadbent was a businessman and owned and operated a drug store as a licensed pharmacist, practicing in Boulder City from 1950 to 1975. From 1975 until taking his position at Interior, he was a Federal Bankruptcy Trustee, appointed by a Federal Judge, to serve as a receiver in bankruptcy cases.

Broadbent attended California Institute of Technology at Pasadena in 1944-45; University of Nevada at Reno in 1947; and Idaho State College, where he received a Bachelor of Science degree in Pharmacy in 1950. He served in the U.S. Army Air Force from 1945-46.

Broadbent currently resides in Springfield, Virginia with his wife Sue and daughter Michelle, the youngest of four children.

UNITED STATES SENATE
COMMITTEE ON ENERGY AND NATURAL RESOURCES

STATEMENT FOR COMPLETION BY PRESIDENTIAL NOMINEES

Name: BROADBENT (LAST) ROBERT (FIRST) NEVIN (OTHER)

Position to which nominated: Assistant Secretary, Water and Science Date of nomination:

Date of birth: 19 (DAY) June (MONTH) 1926 (YEAR) Place of birth: Ely, Nevada

Marital status: Married Full name of spouse: Marjie Sue Swarts Broadbent

Name and ages of children: Robert Curtis Broadbent (29) Betty Michele Broadbent (14
Kathleen Ann Morris (27)
Douglas Edward Broadbent (25)

Education:

Institution	Dates attended	Degrees received	Dates of degrees
White Pine High School	1941-1944	Diploma	
California Institute of Technology	1944-1945	----	
University of Nevada	1947-1947	----	
Idaho State College	1947-1950	BS in Pharmacy	

Employment record: List below all positions held since college, including the title and description of job, name of employer, location, and dates.

May 1981	Present	U.S.Dept. of the Interior	Wash.,D.C.	Commsr. of Bur of Reclamation
Mar 1981	May 1981	U.S.Dept. of the Interior	Wash.,D.C.	Commsr, Water & Power Resources
Jan 1969	Mar 1981	Clark County, Clark County Commsr.	Las Vegas,NV	Elected - Clark Co. Commissioner
Oct 1975	Mar 1981	Fed./State Bankruptcy Trustee(Judge Lloyd George)	"	Trustee or Receiver
Dec 1950	Jul 1975	Boulder City Drug - Self-employed	Boulder City,NV	Manager-Partner Owner - Pharmacist
Jul 1950	Dec 1950	Cochran Pharmacy	Carson City, NV	Pharmacist
Jan 1950	Jul 1950	Boulder City Drug	Boulder City, NV	Pharmacist

Employment record—Continued

Military service: Enter all military service if not included above: service, dates, rank, type of discharge.

USAAF - Serial # 39947785 - 1945-1946

Honorable Discharge.

Honors and awards: List below all scholarships, fellowships, honorary degrees, military medals, honorary society memberships, and any other special recognitions for outstanding service or achievement.

Graduate with honors from Idaho State College - 1950

Recipient of the Bowl of Hygiea for Outstanding Community Service - 1964

First Vice President of the Nevada Municipal League - 1968

Elected Outstanding Convention Man of the Year - 1975

Memberships: List below all memberships and offices held in professional, fraternal, business, scholarly, civic, charitable and other organizations.

Organization	Office held (if any)	Dates
Nevada State Pharmaceutical Association	President in 1957	1950 - 1975
Phi Delta Ki, Prof. Pharmaceutical Fraternity		1947-1950
Elks Lodge		1951-1957
Lions Club International		1951-1956
Masonic Lodge (Boulder City,NV)		1965-Present
Rotary International		1970-1978
Boy Scouts of America(Executive Cmte for Las Vegas Dist)		1974-1981
Nevada League of Cities		1959-1968
Nevada Association of Counties	President -1974	1969-1981
Las Vegas Chamber of Commerce	- Executive Board	1970-1976
Las Vegas Economic Development Bd.-Exec. Cmte.		1976-1977

Published writings: List the titles, publishers and dates of any books, articles, or reports you have written.

NONE

Qualifications: State fully your qualifications to serve in the position to which you have been named.
(attach sheet)

Future employment relationships:

1. Indicate whether you will sever all connections with your present employer, business firm, association or organization if you are confirmed by the Senate.

N/A (severed all previous business relationships in March 1981)

2. As far as can be foreseen, state whether you have any plans after completing government service to resume employment, affiliation or practice with your current or any previous employer, business firm, association or organization.

NO

3. Has anybody made you a commitment to a job after you leave government?

NO

4. (a) If you have been appointed for a fixed term, do you expect to serve the full term?

N/A

(b) If you have been appointed for an indefinite term, do you have any known limitations on your willingness or ability to serve for the foreseeable future?

NO

Potential conflicts of interest:

1. Describe any financial arrangements or deferred compensation agreements or other continuing dealings with business associates, clients or customers who will be affected by policies which you will influence in the position to which you have been nominated.

I have a 50% remainderman's interest in a Testamentary Trust established by my father, N. E. Broadbent, who died April 4, 1979. The Trust beneficiary is Hope G. Broadbent, Robert Broadbent's mother. During her life, she is entitled to all trust income and to so much of corpus as trustee determines necessary. Upon her death, remaining trust assets are to be divided equally between *

2. List any investments obligations, liabilities, or other relationships which might involve potential conflicts of interest with the position to which you have been nominated.

See attached letter from Ethics Official - if any conflict I would resolve by disqualifying myself from participation in any particular matters or by sale of the stock.

* Mr. Robert Broadbent and his sister Suzanne Siri.

STATEMENT OF QUALIFICATION FOR ROBERT N. BROADBENT, ASSISTANT SECRETARY FOR WATER AND SCIENCE, DESIGNATE, U.S. DEPARTMENT OF THE INTERIOR

Since March of 1981 when I was appointed by the President, I have been serving as the 13th Commissioner of the United States Bureau of Reclamation. In this position, I have had direct management responsibility for over 9,000 employees and a budget of close to one billion dollars annually.

Prior to my appointment as Commissioner of Reclamation, I served for 12 years as a County Commissioner of Clark County, Nevada. As a member of the Clark County Board of Commissioners, I had oversight authority of over a full range of municipal and regional services to county residents. As such, I directed the activities of some 5,000 employees and managed a 400 million dollar annual budget.

For six years, I was the Director of the Las Vegas Valley Water District which is the largest and most sophisticated public water supplier in the State of Nevada.

My career in government service began in 1959 with my election as the first mayor of Boulder City, Nevada. In that position, I helped negotiate the transfer of Boulder City from the Department of the Interior, which had built the city to house workers on the Bureau of Reclamation's Hoover Dam and later built a large research laboratory for the Bureau of Mines, to its status as a Nevada municipality. This transfer included the transfer of land, as well as the sewer and electric utility services necessary to service Boulder City.

I am a graduate of Idaho State College with a degree in pharmacy. In 1945 and 1946 served in the United States Army Air Force and was honorably discharged. Concurrent with my work in local government, I was a businessman and owned and operated a drug store as a licensed pharmacist, practicing in Boulder City from 1950 to 1975.

I believe that my experience in government at both the local and national levels and specifically my service as Commissioner of the Bureau of Reclamation qualify me for the position of Assistant Secretary for Water and Science of the Department of the Interior.

3. Describe any business relationship, dealing or financial transaction (other than tax-paying) which you have had during the last 10 years with the Federal Government, whether for yourself or relatives, on behalf of a client, or acting as an agent, that might in any way constitute or result in a possible conflict of interest with the position to which you have been nominated.

NONE

4. List and describe any lobbying activity during the past 10 years in which you have engaged for the purpose of directly or indirectly influencing the passage, defeat or modification of any legislation at the national level of government or for the purpose of affecting the administration and execution of national law or public policy.

I have participated in no paid lobbying activity within the last 10 years with the Federal government. In an official capacity as an elected public official, Commissioner of Clark County, Nevada, I did take positions through resolutions and appropriate Board actions or through organizations such as NACO, AWWA, etc., which may have directly or indirectly influenced the passage, defeat or modification of legislation at the national level of government or for the purpose of affecting the administration and execution of national law or public policy.

5. Explain how you will resolve any potential conflict of interest that may be disclosed by your responses to the above items.

By disqualifying myself from participation in any particular matters or by sale of the stock.

6. Explain how you will comply with conflict of interest laws and regulations applicable to the position for which you have been nominated. Attach a statement from the appropriate agency official indicating what those laws and regulations are and how you will comply with them.

See attached letter from the U. S. Department of the Interior Designated Agency Ethics Official. I have been advised of applicable laws, rules and regulations and have discussed those with the Ethics Official and intend to comply with these and any other subsequent advice or direction given by the Ethics Offical.

Financial statement:

1. Attach a copy of your Executive Personnel Financial Disclosure Report (SF 278).

2. List sources, amounts and dates of all anticipated receipts from deferred income arrangements, stock options, uncompleted contracts and other future benefits which you expect to derive from previous business relationships, professional services and firm memberships or from former employers, clients, and customers. Amounts should be indicated by the categories established for reporting income on Form SF 278, Schedule A.

Bankruptcy fees earned prior to March 1981 and not yet paid - estimated receipts in 1984 will be less than $1,500

3. Are any assets pledged? (Add schedule.)

NO

4. Are you currently a party to any legal action?

NO

5. Have you ever declared bankruptcy?

NO

6. Have you filed a Federal income tax return for each of the last 10 years? If not, please explain.

Yes

7. Has the Internal Revenue Service ever audited your Federal tax return? If so, what resulted from the audit?

YES - In 1980 my tax return was pulled for routine audit. I provided information in response to the questions raised by the IRS. IRS accepted that information and the audit was cleared as evidenced by the attached letter.

AFFIDAVIT

District of Columbia) ss

Robert N. Broadbent , being duly sworn, hereby states that he/she has read and signed the foregoing Statement for Completion by Presidential Nominees including the Financial Statement and that the information provided therein is, to the best of his/her knowledge and belief, current, accurate, and complete.

Robert N. Broadbent

Subscribe and sworn before me this 25 day of May , 1994

Jack C. Reif
Notary Public

My Commission Expires May 14, 1994

U.S. GOVERNMENT PRINTING OFFICE

Internal Revenue Service Center
Western Region

Department of the Treasury

Date: 17 FEB 1983

Form Number: 1040
Tax Periods Ended:
Tax Period Ended: 1982
Person to Contact: Mr. Child
Contact Telephone Number: 801-625-7186
This is not a Toll Free Number

530-05-9133 88030646
ROBERT W & MARJIE S BROADBENT
8251
655 PALOMA DR
BOULDER CITY, NV 89005

We are pleased to tell you that our examination of your tax returns for the above periods shows no change is required in the tax reported. Your returns are accepted as filed.

If you have any questions, please contact the person whose name and telephone number are shown above. Since there will be a long-distance charge to you if you are beyond the immediate dialing area of the service center, you may prefer to write us at the address on this letter or call any Internal Revenue Service office.

Thank you for your cooperation.

Sincerely yours,

Roger Dale

Chief, Service Center
Examination Branch

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

May 31, 1984

Memorandum

To: Robert N. Broadbent
Designated Assistant Secretary - Water and Science

From: Deputy Agency Ethics and Audit Coordination Official

Subject: Financial Interest in Henderson Petroleum Company Held by the Hope G. Broadbent Trust

My recent analysis of our Department's relationship to Henderson Petroleum Company (Henderson) revealed that U.S. Geological Survey (U.S.G.S.) statistics show Henderson to be an acceptable investment under 43 U.S.C. §31(a). My analysis also revealed that Bureau of Land Management (BLM) officials had categorized investments in Henderson to be unacceptable for purposes of 43 U.S.C. §11.

The criteria established by each of these bureaus for determining acceptability under these two laws are essentially the same. Therefore, it was necessary to resolve this apparent discrepancy between U.S.G.S. and BLM.

It has now been determined and verified that Henderson currently leases 106,000 acres of Federal land from the BLM for their oil and gas operations. Having federal leases in excess of 25,000 acres meets the criteria established for applying 43 U.S.C. §11 and, if 100,000 or more acres are leased for mineral extraction the criteria for 43 U.S.C. 31(a) are met.

The absolute prohibitions of 43 U.S.C. §11 and 31(a) are extended to the position of Assistant Secretary - Water and Science by regulations at 43 CFR §20.735-24. Therefore, upon your confirmation as Assistant Secretary - Water and Science it will be necessary for you to ask the trustee for the Hope G. Broadbent Trust to dispose of the financial interest in Henderson.

Under Department regulation, action to dispose of prohibited holdings should be accomplished within 90 calendar days from the date that you are sworn in as Assistant Secretary.

Please notify me when the trust's interests in Sierra Pacific Power, Southwest Gas Corporation and Henderson Petroleum have been sold.

Gabriele J. Paone

Gabriele J. Paone

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

MAY 24 1984

Mr. David H. Martin
Director, Office of Government Ethics
Office of Personnel Management
1900 E Street, N.W., Room 436H
Washington, D.C. 20415

Dear Mr. Martin:

This letter transmits a revised Financial Disclosure Statement (Standard Form 278) for Mr. Robert N. Broadbent, nominee for the position of Assistant Secretary, Water and Science, U.S. Department of the Interior.

On February 1, 1984, we provided you with a completed SF-278 and an opinion letter for Mr. Broadbent. Because his nomination was delayed until May 21, 1984, he has revised his SF-278 as required by the recent amendments to the Ethics in Government Act of 1978. The revised SF-278 contains information for the period of January 1, 1983 through May 21, 1984.

We have reviewed Mr. Broadbent's revised statement in conformance with the provisions in 5 CFR 734.604(a). All of the determinations and analyses explained in our February 1, 1984 opinion are still accurate and applicable and a copy of that opinion letter is enclosed.

Mr. Broadbent has reconfirmed that the trustee of the Hope G. Broadbent Trust will sell the financial interests in the Sierra Pacific Power Company and Southwest Gas Corporation upon Mr. Broadbent's confirmation as Assistant Secretary, Water and Science.

The date for Mr. Broadbent's confirmation hearings has been set for June 7, 1984. Your prompt assistance in providing the required documents to the Senate Energy and Natural Resources Committee is appreciated.

Sincerely,

Gabriele J. Paone

Gabriele J. Paone
Acting Designated Agency Ethics Official

Enclosures
cc:
Mr. Broadbent (2)
Mr. Garrett, WH

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

May 29, 1984

Honorable James A. McClure
Chairman, Committee on Energy and
Natural Resources
United State Senate
S-358
Washington, D.C. 20510

Attention: Mr. Charles A. Trabandt

Dear Mr. Chairman:

I have been asked to provide information in response to specific questions about the financial interests of Mr. Robert N. Broadbent, nominee for the position of Assistant Secretary - Water and Science, U.S. Department of the Interior. Specifically, members of your staff have asked why certain financial interests held by the Hope G. Broadbent Trust are not prohibited holdings for the Assistant Secretary -Water and Science. The financial interests of concern and the reasons for our approval are:

1. Kaiser Cement and Gypsum Company.

   This company holds one right-of-way, at a cost of $50 per year, from the Bureau of Land Management (BLM). Since the company's interest is so insubstantial and since the Assistant Secretary - Water and Science does not have the BLM within his purview, the holding is allowed by Department regulations.

2. Utah and Wyoming Consolidated Oil Company and Portland General Electric Company.

   Neither of these companies has leases, permits or other rights administered by the Department of the Interior. Hence, there is very little potential that the Assistant Secretary - Water and Science would ever have to be involved in particular matters involving these companies.

3. Henderson Petroleum Company.

   Available statistics indicate that this company has no active operations that are currently related to the programs that are administered by the Assistant Secretary - Water and Science. Further, the interest held by the trust is insubstantial. The company's stock is currently (5-21-84) selling at 50 cents per share and the Trust owns less than $1,000 of the stock. Analysis is being conducted of the company's operations on Federal lands leased from the Department. If the company leases more than 25,000 acres of Federal land for oil and gas operations, Mr. Broadbent will be informed to have the trustee dispose of this holding.

If any other interests held by Mr. Broadbent, or by the Hope G. Broadbent Trust, become a problem, Mr. Broadbent has agreed to disqualify himself from participating in any particular matter involving the organizations in which the financial interests are held, dispose of the interest or arrange for the trustee to dispose of the interest.

I hope this will satisfy your immediate concerns.

Sincerely,

Gabriele J. Paone

Gabriele J. Paone
Deputy Agency Ethics and Audit
Coordination Official

United States of America
Office of Government Ethics

Office of Personnel Management
Washington, D.C. 20415

MAY 29 1984

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

In accordance with the Ethics in Government Act of 1978, I enclose a copy of the financial disclosure report filed by Robert N. Broadbent, who has been nominated by President Reagan for the position of Assistant Secretary, Water and Science, U.S. Department of the Interior.

We have reviewed the report and have also obtained advice from the Department of the Interior concerning any possible conflict in light of the Department's functions and the nominee's proposed duties. We have been advised that the trustee for the Hope G. Broadbent Trust will sell the Trust's interests in Sierra Pacific Power Company and Southeast Gas Corporation upon Mr. Broadbent's confirmation.

Based thereon, we believe that Mr. Broadbent is in compliance with applicable laws and regulations governing conflicts of interest.

Sincerely,

David H. Martin
Director

Enclosure

DEPT. OF THE INTERIOR
RECEIVED
MAY 24 1984
ETHICS OFFICE

OGE Use Only
MAY 24 1984

Reporting Individual's Name	Last Name: BROADBENT		ROBERT N.	
Position for Which Filing	Title of Position: Assistant Secretary Water and Science		Department of the Interior	May 21, 1984
Location of Principal Office	Address (Number, Street, City, State and Zip Code): 18th & C Streets, N.W., Washington, D.C. 20240		6660	(202) 343-2186

Principal Committees of Congress Expected to Consider Nomination	Name of Committee(s) Committee Clearance Requested: Senate Energy and Natural Resources Committee

Principal Federal Government Position Pending (If Any)	Title of Position: Commissioner of Reclamation, Bureau of Reclamation, Department of the Interior - May 1981 to Present

Signature: Robert N. Broadbent — May 24, 1984

Agency Ethics Official's Opinion: Signature of Designated Agency Ethics Official: Gabriele J. Paone (acting) Designated Agency Ethics Official — MAY 24 [illegible]

Gabriele J. Paone
(acting) Designated Agency Ethics Official

Date: 5-29-84

Comments of Reviewing Officials (If additional space is required, use the reverse side of this sheet)

This report contains information for the period of January 1, 1983 through May 21, 1984.
None of the financial interests in real estate (personally owned and partnership interests) involve lands or projects which can be affected in any way by Department of the Interior programs or operations.
The attachment to this form explains the cancellation of a lease previously in effect between the Foothill Development Partnership and the U.S. Geological Survey.

(Check box if comments are continued on the reverse side)

1/80 Edition of SF 278 is Obsolete — 278-107 — NSN 7540-01-070-8444

70

	Yes	No
Do you, your spouse or dependent child receive, or have a beneficial interest in a "trust"?	X	
If "yes", have you reported the income from the trust?		X
If "yes", have you reported the assets of the trust?	X	
If "yes", is this trust an "excepted" trust?		X
or "qualified" trust?		X

X

3 [illegible] and

4 You do not have knowledge [illegible] are none.

Page Number 2

ROBERT N. BROADBENT

Agency U.S. Civil Service Commission

May 24, 1984

Identification	Type of income								Amount of Income	Type	Exempt	Transaction
	Dividends	Rent	Interest	Capital Gains	Royalties	Trusts	Business Ownership	Other				
Bankruptcy Trustee, 319 S. 3rd Las Vegas, Nevada								Fees	1,486.00			
House - 653 Paloma, Boulder City, Nevada		X						X		A		X
State of Nevada Retirement Fund (Vested Interest)	VESTED INTEREST - NO INTEREST OR DIVIDENDS PAID									A	X	
Summer Home - Pine Valley Washington County, Utah	NO INCOME									A		X
National Western Life (Policy)	X1		X2					X1 X2		A	X	
New York Life	X1		X2					X1 X2		A	X	
Standard Life & Accident Company	X							X		A	X	
National Service Life Insurance	X_1		X_2					X_2 X_1		A	X	
Boulder Dam Federal Credit Union			X					X		A	X	
American Pacific Corporation (formerly Pacific Engineering Co.)	NO DIVIDENDS PAID									A		X
Valley Bank Special Campaign Account (Money Market Account)			X					X		A	X	
First Interstate Bank (Money Market Account)			X					X		A	X	
Boulder Dam Federal Credit Union (IRA)			X					X		A	X	

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust?		
or "qualified" trust?		

Page Number 2 — 3 — Schedule A

Reporting Individual's Name: ROBERT N. BROADBENT

Agency Use Only

Date of Filing (Month, Day, Year): May 24, 1984

	Identification	Dividends	Rent	Interest	Capital Gains	Type	Amount
*	Dean Witter Reynolds, Inc. (IRAs Managed by Dean Witter) (Dean Witter Reynolds Legend on Attached Box)		X	X		A	X
	SOVRAN Bank (Checking Account)	NO INTEREST PAID				A	X
	Nevada Savings and Loan Boulder City, Nevada		X	X		A	X
	Volcano Industries, Inc.* St. George, Utah (Shares)		X		X	A	X
DC	First Interstate Bank, Boulder City, Nevada (Formerly First National Bank)		X	X		A	X
	Partnership Interests:						
	1/3 partnership interest in Foothill Development, 1601 Foothill Rd., Boulder City, Nevada - Partnership involves purchase and rental of mini warehouses. Business vehicle, supplies and equipment owned by me currently assigned to Foothill Development.		Share of Profits	X	(Estimated) $5,166.00	A	X
	¼ partnership interest in Real Estate 40 Acres of land in Long Valley - Kane County, Utah	NO INCOME				A	X

* One of 14 stockholders in a business venture investing in real estate. Business does not [illegible]

SF 278 Financial Disclosure Report
(Rev 6 81)

INCOME AND INTERESTS IN PROPERTY

This schedule is applicable in the case of all reporting individuals

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust?		
or "qualified" trust?		

	Yes	No
Are there any interests in property, purchases, sales, or exchanges, or liabilities of a spouse or dependent child which you have not reported?		X
If "Yes," do you certify to all of the following? 1. They represent solely your spouse's or dependent child's financial interest or responsibility; 2. They are not, in any way, past or present, derived from your income, assets, or activities; 3. You neither derive, nor expect to derive, any financial or economic benefit from them; and 4. You do not have knowledge as to the composition of such interest or liabilities.		

Page Number 4 | Schedule A

Reporting Individual's Name:
ROBERT N. BROADBENT
Agency Use Only

Date of Filing (Month, Day, Year)
May 24, 1984

Spouse (S) or Dependent Child (DC)	Identification	Income: Type of Income (✓)							Income: Category of Amount or Value (✓)									Interests in Property: Value of Asset (✓)						
		Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify)	None (or less than $101)	$101 - $1,000	$1,001 - $2,500	$2,501 - $5,000	$5,001 - $15,000	$15,001 - $50,000	$50,001 - $100,000	Over $100,000	Actual Amount Only if "Other" Specified	Date (Mo., Day, Yr.) Only if "Other" Specified	None (or less than $1,000)	$1,000 - $15,000	$15,001 - $50,000	$50,001 - $100,000	$100,001 - $250,000	$250,001 - $500,000	Over $500,000
	15% partnership interest in Lakeview Terrace - 21 Acres of Residential Property, Boulder City, Nevada		NO INCOME																A					X	
	Mr. Broadbent has a 50% remainderman's interest in a Testamentary Trust established by his father, N. E. Broadbent, who died April 4, 1979. The Trust beneficiary is Hope G. Broadbent, Robert Broadbent's mother. During her life, she is entitled to all trust income and to so much of corpus as trustee determines necessary. Upon her death, remaining trust assets are to be divided equally between Mr. Robert Broadbent and his sister Suzanne Siri.																								
	HOLDINGS IN THE HOPE G. BROADBENT TRUST																								
	Bankamerica Corporation																		H			X			
	Bergen Brunswig																		H	X					
	First Western Financial Corporation																		H	X					
	Ford Motor Company																		H	X					
	(Kordel Explorations Limited Converted into Junction Exploration* Junction Exploration - Zero Value)																								
	Kaiser Cement & Gypsum Company																		H	X					
	Diversa, Inc.* (Zero Value - Filed Chapter 11 Bankruptcy in 1981)																								

* Value under $1,000

INCOME AND INTERESTS IN PROPERTY

This schedule is applicable in the case of all reporting individuals

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust?		
or "qualified" trust?		

	Yes	No
Are there any interests in property, purchases, sales, or exchanges, or liabilities of a spouse or dependent child which you have not reported?		X
If "Yes," do you certify to all of the following: 1. They represent solely your spouse's or dependent child's financial interest or responsibility; 2. They are not, in any way, past or present, derived from your income, assets, or activities; 3. You neither derive, nor expect to derive, any financial or economic benefit from them; and 4. You do not have knowledge as to the composition of such interest or liabilities.		

Page Number 5

Reporting Individual's Name: ROBERT N. BROADBENT

Agency Use Only

Date of Filing: Month Day Year: May 24, 1984

Spouse (S) or Dependent Child (DC)	Identification	Income: Type of income (✓)							Income: Category of Amount or Value (✓)										Interests in Property
		Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify)	None (or less than $101)	$101-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	$100,001-$1,000,000	Over $1,000,000	Actual Amount Only if "Other" Specified	
	Lucky Stores																		H X
	National Western Life Insurance																		H X
	First National Bank of Ely, Nevada (Interest Bearing Checking Account)																		H X
	Dean Witter (Inter-Capital Liquid Asset Fund)																		H X
	Henderson Petroleum Corporation*																		
	Nevada National Bancorporation*																		
	Portland General Electric Company*																		
	Sierra Pacific Power Company																		H X
	Southwest Gas Corporation*																		
	Utah & Wyoming Con. Oil Company*																		
	Warner Lambert Company																		H X
	Western States Machine*																		
	Commercial Building 525 Nevada Highway, Boulder City, Nevada																		B X
	* Value under $1,000																		

INCOME AND INTEREST IN PROPERTY

This schedule is applicable in the case of all reporting individuals

	Yes	No
Do you, your spouse, or dependent child receive income from, or have a beneficial interest in a trust?		
If "yes", have you reported the income from the trust?		
If "yes", have you reported the assets of the trust?		
If "yes", is this trust an "excepted" trust? ... or "qualified" trust?		

	Yes	No
Are there any interests in property, purchases, sales, or exchanges, or liabilities of a spouse or dependent child which you have not reported?		X
If "Yes," do you certify to all of the following? 1. They represent solely your spouse's or dependent child's personal interest or responsibility; 2. They are not, in any way, past or present, derived from your income, assets, or activities; 3. You neither derive, nor expect to derive, any financial or economic benefit from them, and 4. You do not have knowledge as to the composition of such interest or liabilities.		

Page Number 6

Reporting Individual's Name: ROBERT N. BROADBENT

Agency Use Only

Date of Filing (Month, Day, Year): May 24, 1984

Special (S) or Dependent Child (DC)	Identification	Income: Type of Income (✓) Dividends	Rent	Interest	Capital Gains	Excepted Trust	Qualified Trust	Other (Specify)	Income or Loss Amount: None (or less than $201)	$201-$1,000	$1,001-$2,500	$2,501-$5,000	$5,001-$15,000	$15,001-$50,000	$50,001-$100,000	Over $100,000	Actual Amount	Estimated Other Specified	Interests in Property: Value	Income	Type
	Technology Fund, Inc.																		H		X
	Humboldt County School District Bonds																		A	X	
	Carson City School District Bonds																		A	X	
	City of Reno General Obligation Bonds																		A		X

75

SF 278 Executive Personnel Financial Disclosure Report
(Rev. 6-83)

PURCHASES, SALES, AND EXCHANGES

This schedule is applicable only in the case of annual and termination reports.

Page Number	7	Schedule B

Reporting Individual's Name: ROBERT N. BROADBENT

Agency Use Only

Date of Filing (Month, Day, Year): May 24, 1984

Report Applicable Transactions, Even if Also Reported on Schedule A

S or DC	Identification of Property (real and personal)	Type of Transaction			Date (Month, Day, Year)		Category of Amount or Value (✓)					
		Purchase	Sale	Exchange	Purchase	Sale or Exchange	$1,001 to $5,000	$5,001 to $15,000	$15,001 to $50,000	$50,001 to $100,000	$100,001 to $250,000	Over $250,000
	HOLDINGS IN THE HOPE G. BROADBENT TRUST											
	Kennecott Corporation		X			March 1981		X				
	National American Life Insurance Company		X			March 1981	*					
	Morrison Knudsen		X			March 1981	X					
	Henderson Petroleum Corporation (Crest Resources, Inc. - 1,000 shares were exchanged for 92 shares of this stock)			X		10/20/80	*					
	Dean Witter (Inter-capital Liquid Asset Fund)	X			April 1983				X			
	* Value under $1,000											

ROBERT N. BROADBENT
Agency Use Only

May 24, 1984

	Value
NONE	

NONE

		Value
NONE		

39-284 O—84—6

This schedule, except as noted for the third section, is applicable in the case of all reporting individuals.

ROBERT N. BROADBENT — May 24, 1984 — Page Number 9

LIABILITIES

S or DC	Name and Address of Creditor	Type of Liability; Note, mortgage or open account; Date, interest rate and, if applicable, term	Amount of Liability on May 24, 1984	Amount to be Paid in 1984	Is Liability Contingent?	Is Liability Disputed?
	As a general partner for Lakeview Terrace, entered into a joint venture with Dasco, Inc. (a Nevada builder) for development of condominiums on property called Lakeview Terrace. The venture is called Lakeview Venture #2. Lakeview Venture #2 took out a construction loan of $2,199,375.00 from Valley Bank of Nevada and is presently constructing 31 units of an 80 unit condominium development.					
	Valley Bank of Nevada	Construction Loan, 2% above prime, 1 year, 8/30/83				X

POSITIONS HELD

Name and Address of Organization	Type of Organization	Position Held
See Page 10.		

COMPENSATION IN EXCESS OF $5,000 PAID BY ONE SOURCE This section is applicable only in the case of persons filing Part II

Source (Name and Address)	
Not applicable	

RELATIONS WITH OTHER EMPLOYERS

Description of Terms of Any Agreement or Arrangement	Date	Is Agreement in Writing?
See Page 10.		

applicable in the case of all reporting individuals.

ROBERT N. BROADBENT — May 24, 1984 — Page Number 10 — D

LIABILITIES

S or DC	Name and Address of Creditor	Type of Liability (incl. promissory note, margin account) Give date, interest rate and, if applicable, term	Value of Amount or Value (✓) $1,000	$1,000 to $10,000	$10,001 to $50,000	Over $50,000
	Nevada Savings and Loan, Las Vegas, Nevada	Mortgage Loan 9 1/4%, 15-year, 12/77			X	
	Gary Carter - St. George, Utah	Personal Loan 7%, 17-year, 1/72 (Volcano Ind. Interest)	X			

POSITIONS HELD

Name and Address of Organization	Type of Organization	Position Held	From (Mo., Yr.)	To (Mo., Yr.)
Bureau of Reclamation, Department of the Interior 18th & C Streets, N.W., Washington, D.C. 20240	Federal Agency	Commissioner	March 1981	Present
Foothill Development Company - 655 Paloma Drive Boulder City, Nevada	Private Business	General Partner	1/77	Present
Lakeview Terrace - 319 S. 3rd Street Las Vegas, Nevada 89101	Business Venture (Limited Partnership)	General Partner	1/77	Present

COMPENSATION IN EXCESS OF $5,000 PAID BY ONE SOURCE (Information is applicable only in the case of nominees and new entrants)

Source (Name and Address)	Gross Amount of Income
Not Applicable	

RELATIONS WITH OTHER EMPLOYERS

Description of Terms of Any Agreement or Arrangement	Parties	Date (Mo., Yr.)
Vested Interest in Retirement Fund	State of Nevada	1/81

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

MAR 19 1985

Memorandum

To: Solicitor

From: Assistant Secretary Designate -- Water and Science

Subject: Financial Disclosure Statement

I am a partner in Foothill Development Company. Foothill rents a small warehouse to the U. S. Geological Survey. When Secretary Clark announced the reorganization on 12/23/84, I asked U.S.G.S. to move out. They accomplished this in mid-February.

Question: What do I do with the January and February rent checks?
See attached.

Attachment

UNITED STATES
DEPARTMENT OF THE INTERIOR
OFFICE OF THE SOLICITOR
WASHINGTON, D.C. 20240

APR 27 1984

SEC.GL.9950

Memorandum

To: Assistant Secretary Designate - Water and Science

From: Associate Solicitor - Division of General Law

Subject: Financial Disclosure

The Solicitor has asked that I reply to your memorandum of March 19, 1984.

As outlined in your memorandum, Foothill Development Company, a partnership in which you have a financial interest, rented a small warehouse to the United States Geological Survey. However, Foothill terminated this lease arrangement after Secretary Clark issued Secretarial Order No. 3099 on December 22, 1983, and it was announced that you would be nominated to be Assistant Secretary--Water and Science. As a result of these actions, the Geological Survey came under your direction and supervision as the Assistant Secretary Designate. The Geological Survey vacated the partnership's warehouse in mid-February, 1984.

The copy of the lease agreement between Foothill Development Company and the Geological Survey shows that the amount of rent is $50 per month with an annual rent of $600. The partnership has been issued two rent checks by Geological Survey for January 1984 and part of February 1984 (pro-rated) in the total amount of $72. You have asked what should be done with these two checks.

It is our opinion that these two checks may properly be deposited in the partnership account for distribution in accord with the partnership agreement. The two checks are returned with this memorandum.

Our review indicates that the actions taken by you in this matter are fully consistent with statutory and regulatory requirements. Prior to December 23, 1983, you had no responsibilities with respect to the Geological Survey. When this situation changed, you immediately took action to sever the lease arrangement between the partnership and the Geological Survey.

DEPT. OF THE INTERIOR
RECEIVED
APR 27 1984
ETHICS OFFICE

In view of the small amount of rent involved (your interest in the rent as a partner would be even a lesser amount) and the fact that the lease arrangement has been terminated, there is no appearance problem under 43 CFR 20.735-21. Further, we have found no evidence that there has been any representational activity by you regarding this lease nor do we find any evidence that you have taken any specific official actions concerning a matter that affected your financial interest in this lease. Therefore, we do not find any problem with the statutory or regulatory prohibitions applicable to federal employees.

We have discussed this matter with the Department's Deputy Ethics Officer and he concurs with the conclusions in this memorandum.

Please advise if you have any additional questions.

/s/

Marian Blank Horn

Attachments

cc: Solicitor
Gabe Paone, Deputy Ethics Officer ✓

APPENDIX II

Responses From Nominees to Additional Questions

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

June 11, 1984

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Chairman McClure:

Enclosed are nominee Charles G. Stalon's responses to the follow-up questions resulting from his confirmation hearing on June 7, 1984, from yourself and Senators Ford and Nickles.

If we may be of further assistance in this matter, please do not hesitate to contact me.

Sincerely,

Pam Simpson

Pamela Whitted Simpson
Director, Congressional Liaison

Enclosures

cc: Senator J. Bennett Johnston
Senator Wendell Ford
Senator Don Nickles

ADDITIONAL QUESTION SUBMITTED BY SENATOR JAMES McCLURE

QUESTION

One of the most important issues to the Northwest is hydro development, in particular, small hydro development.

As you know, there have been two recent court cases: one by the Supreme Court and one by the Ninth Circuit Court of Appeals, both of which may affect dramatically hydro development, not only in the Northwest, but throughout the Nation.

In the past, the Commission has been very slow to act on pending hydro applications. From the developers' perspective, decision is preferred over indecision. Tens of thousands of dollars are tied up in these projects and developers want to know as quickly as possible how and whether they may proceed.

Mr. Stalon, if confirmed by the Senate, would you consider hydro development as a high priority for the Commission?

ANSWER

Given my present limited knowledge of F.E.R.C. issues and constraints, I can confidently assert that I will give hydro issues a high priority claim on my time. I will encourage the Commission to do so also. Clearly, the increase in the relative price of fossil fuels over the last decade makes many hydro sites economically feasible that were not so feasible before 1973. The regulatory system should facilitate the orderly development of those sites. Obviously, this hydro development should be complemented by the development of the other economic and social benefits of dams and lakes and not at their expense.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 1

Do you believe that there will be a price "fly up" in 1985 caused by pipeline/producer contract rigidities? If a "fly up" should occur, what action, if any, would you recommend that the FERC take?

ANSWER

My knowledge of an expected "fly-up" in 1985 is limited and gained almost wholly from two trade association studies: the AGA Study of May 16, 1984, "An Analysis of Indefinite Price Escalator Clauses in Natural Gas Contracts," and the INGAA Study of April 1984, "Analysis of Price Fly-Up Under the Natural Gas Policy Act." A reasonable interpretation of these studies is that there may be minor problems in a few market areas. Market forces should keep those "fly-up" effects small and probably eliminate them within a year.

I am not yet adequately informed of what actions the F.E.R.C. might take to discourage the "fly-up" and/or to reverse it if it occurs, but I believe that the F.E.R.C. may wish to explore its options for actions before January 1, 1985.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 2

Do you believe that there should be a spot market in natural gas? What should FERC be doing (or not doing) to bring about a spot market if it is desirable?

ANSWER

There has been a spot market for natural gas during much of the history of the industry. It shrank to insignificance during the period of curtailment. A spot market for natural gas is reviving and I believe it should be encouraged because a robust spot market can play a useful role in allocating natural gas.

The principal element in any broad-based market is an efficient means whereby potential buyers and potential sellers exchange products. Since pipelines are the only efficient means for moving gas, providing pipelines with incentives for moving gas between willing buyers and willing sellers is a necessary ingredient for the creation of an efficient spot market.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 3

Should FERC enforce a "least cost" pipeline purchasing policy, or would this conflict with the need to insure continuity of supply?

ANSWER

The addition of a legally binding "least cost" pipeline purchasing regulatory policy on top of the current regulatory system would generally have unfortunate results even though at first blush the idea appears attractive. I interpret current policy to require pipelines to purchase gas at the minimum possible cost subject to the constraint that long-term supply be adequate to meet their obligations to customers. A generalization that can be defended is that the higher the degree of supply reliability demanded, the higher the average cost of gas to the pipeline.

One important task of the regulator and of pipelines is to make the socially optimal choice of price and supply reliability, with the understanding that more of one usually means more of the other.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 4

The Reagan Administration is currently examining whether oil pipelines should be deregulated. What thoughts do you have on gas pipeline deregulation?

ANSWER

I have not devoted time to a study of the issues in oil pipeline deregulation, and I do not have an informed opinion on that issue. I expect to devote time to that issue as soon as possible.

I have spent considerable time studying the feasibility of gas pipeline deregulation and have concluded that that is a concept which probably could not, today, be responsibly implemented at the national level. There are many places in the Nation and many distribution utilities served by only one pipeline, and that is likely to be the circumstance for a long time to come. In short, most gas pipelines still are natural monopolies and still need to be regulated.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 5

What position have you and the Illinois Commission taken with respect to recovering the cost of abandoned electric generating plants? How does this differ from Construction Work in Progress in the rate base?

ANSWER

The Illinois Commission has adopted two practices towards abandoned plants. First, for generating sites on which construction never started, a utility was encouraged to sell the land, and the capital gains or losses on the lands which were never in the rate base were assigned as "below the line" gains or losses. Second, for those plants which were started and then stopped, two utilities were permitted to amortize the costs of the plant net of taxes to ratepayers over a short period (I believe it has always been five years), but were denied the right to recover carrying costs on the plant after a date determined by the Commission to be the abandonment date.

The concepts of abandonment decisions and CWIP in rate base decisions are fundamentally different concepts. The need for the abandonment decisions arose when revised forecasts led to plant cancellations. The CWIP in rate base decisions arose after studies confirmed the existence of two circumstances: first, it was in the public interest to complete a construction project or

projects and, second, the completion of the project(s) imposed such demands on the utility's borrowing abilities that, if those borrowing demands were reduced by CWIP in the rate base, the gains in reduced borrowing costs to future ratepayers, when discounted at current market rates, exceeded the cost in higher rates to current ratepayers.

Except for pollution control facilities and short-term, relatively small projects and projects expected to come on-line within a year, the Illinois Commission has included CWIP in rate base for only two utilities. In both cases experience has shown those decisions to have been responsible and in the public interest, and especially in the interest of the ratepayers of those utilities.

When the Illinois General Assembly acted to limit CWIP in rate bases, it also allowed exceptions, and those exceptions were essentially those the Commission had adopted.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NOS. 6-7

Do you agree that unless Congress amends the Natural Gas Act the Commission does not have the necessary legal authority to make pipelines common carriers?

ANSWER

I have been informally advised by legal counsel in the F.E.R.C. that it is difficult to find persuasive justification in the law for legal authority that would permit the F.E.R.C. to make pipelines common carriers. As a general matter, I believe it is always preferable for a regulatory body to call upon the lawmakers to make fundamental structural changes in an industry rather than proceed on difficult to defend legal interpretations.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 8

Are you prepared to exercise FERC's authority under existing law to promote carriage? With the full authority of the FERC promoting carriage, could that lessen the need for comprehensive legislation?

ANSWER

While I am not completely informed on the authority of the F.E.R.C. to take such actions, I do believe that the F.E.R.C. in its ratemaking decisions can promote some degree of voluntary carriage. My present view is that it would be constructive for the F.E.R.C. to do that. Realizing, however, that my present views may be unduly reflective of my State experience, I intend to use as much time as necessary to rethink those views from the perspective of an F.E.R.C. Commissioner. I expect to be able to rely upon carefully developed records in that rethinking.

If my present views prevail and the F.E.R.C. can encourage some degree of increased voluntary carriage, the need for comprehensive legislation would be reduced and possibly postponed. It may not be eliminated, however. If a system of mandatory carriage is deemed by Congress to be in the public interest and the F.E.R.C.'s authority is as limited as I suggested in the answer to the preceding question, legislation may be required.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 9

Has the State of Illinois made its local distributors common carriers? Why has it taken so long for transportation tariff requests to be approved in Illinois? Could you explain why the factors that cause the Illinois Commerce Commission to deliberate so long over such requests are not applicable to interstate pipelines as well?

ANSWER

The law in Illinois mandates that local distribution companies (LDCs) carry gas sold by local producers to in-state end-users. The Illinois Commission has by order required most of the large LDCs to file transportation tariffs and carry gas from the city gate to certain classes of end-users.

There are several reasons for the substantial time lags in adopting transportation tariffs. First, and probably most important, is that the utilities wanted to proceed cautiously and keep the class of end-users eligible for the transportation tariff relatively small. Since the Commission's staff is relatively small, the Commission is heavily dependent on the LDCs for analysis and research. Progress, consequently, has been slow. A second reason for the slow progress is the decision process required of a multi-member, quasi-judicial body subject to an administrative procedures act and an open meetings act. These decision characteristics often

39-284 O—84——7

make the decision process much longer than seems defensible to those unfamiliar with regulatory commission decision practices.

I would expect the factors which have accounted for the measured pace of Illinois Commerce Commission decision making on transportation tariffs to be present at the F.E.R.C., although there may be procedures available to the F.E.R.C. which would make possible expedited proceedings. I would expect the pipelines to want to proceed cautiously and initially keep the class of shippers small. Moreover, I would expect that the procedural requirements under which the F.E.R.C. must operate will almost certainly lengthen the time required for a consensus to develop about issues and about evidence somewhat beyond what is common in the private sector, just as Illinois Commerce Commission procedures do.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 10

Drawing upon your experience as a Commissioner in Illinois, how have you been able to reconcile the short-term pressures to suppress rates with your long-term obligations to ensure sufficient reliable and economic supplies of electricity? Please describe the measures you've taken.

ANSWER

The tension created by the obligation to current ratepayers to hold down current rates and the obligation to future ratepayers to provide utility managers with both the incentives and the ability to create the lowest cost energy supplies for the future is a tension experienced continually by all economic regulators. The Illinois Commission strategy for reconciling those tensions is not unique; in fact, it is textbook in its commonness. It has three key elements: first, select a standard of credit worthiness for the utility that will permit it to raise funds needed for construction at minimum long-term cost to ratepayers; second, design rates so as to encourage the maximum efficient use of capital intensive facilities so as to minimize current unit costs; and, third, use the Commission staff and proceedings to search for and discourage utility expenditures which are not essential to the interests of either current and/or future ratepayers.

In a fast evolving economic system with money markets and external fuel markets changing rapidly, regulatory bodies must review and reassess the trade-offs between current and future ratepayers' interests continually. Moreover, changing membership in the multimember Illinois Commerce Commission has always required finding a new consensus on the proper balance of those interests. Incremental shifts on the relative importance of the key decision factors are always occurring.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 11

Do you believe that the current regulatory system gives utilities sufficient incentives to act in the best interests of their customers? Or is there a need for regulatory authorities to devise some such systems of incentives?

ANSWER

I believe that the current regulatory system gives utility managers proper and sufficient incentives to act in the interest of their customers in certain dimensions of their activities but not in all dimensions. The three principal areas where the incentive system needs constant attention are as follows:

1. Pricing

There are strong incentives for utilities to price certain of their services higher than economic efficiency and fairness can justify and to price other services, or certain services to selected ratepayers, lower than economic efficiency and fairness can justify. Utilities also have incentives under most circumstances to price unduly high on the average.

2. Capital Expenditures

For much of the last three decades, most electric utility managers have been presented with incentives by both regulatory bodies and tax laws to err on the side of excessively capital-intensive methods of production. Failures of forecasting in the

last decade interacted with this tilt of management and resulted in substantial reserve margins for many electric utilities.

3. Monopoly Expansion

Most economic regulation arises to control natural monopoly. The precise delineation of the extent of the natural monopoly is, however, a matter of law and/or regulation. Clearly, a profit-seeking, risk-minimizing utility manager would prefer to err on the side of expanding the utility's monopoly power when key decisions are made. Utility managers have almost no incentives to limit their monopoly powers to those minimally necessary to efficiently exploit the production economies which are inherent in the natural monopoly circumstances.

There clearly is a need for regulatory bodies to seek methods to induce all utility managers to act in the best interests of their ratepayers. This need has long been extensively discussed in the scholarly critiques of regulation. The recognition of the need is, however, far more developed than are methods for devising such incentives. There are certain inherent weaknesses in regulatory systems. They might be called "constitutional defects" to emphasize how fundamental they are. Regulatory bodies should appreciate the existence of these weaknesses and try to compensate for them whenever possible.

One objective of regulatory bodies should be to regulate so as to incorporate market forces as constraints and incentives for

utility managers. This form of regulation may be more difficult for regulatory bodies than one in which the utility is substantially insulated from competitive forces, but it is also, if carefully done, much more likely to maintain proper incentives for utility managers.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 12

Do you believe that deregulation of any kind might be appropriate for any phase of electricity generation, transmission, or distribution? If so, what kind and on what basis do you believe that to be appropriate?

ANSWER

I believe the PURPA mandate to encourage cogeneration, small power generation and self-generation outside the jurisdiction of regulators and to create purchase and sales tariffs for utilities to integrate such non-utility generation is an important form of partial deregulation in the electric system. The experience gained from this step is providing data and can be expected to continue to provide data useful to evaluate current actions and possible future actions.

I also believe that experiments with a market system for the purchase and sale of power between utilities, such as those the F.E.R.C. has approved, are constructive.

I have not found, however, the proposals to move quickly towards a system of deregulated electric generation to be sufficiently developed at this time to justify any changes on a nationwide basis. These proposals may eventually develop enough in broad concept to support more national consideration. For example, improvements in transmission technology might change national options noticeably.

I am not familiar with any proposals for deregulating either transmission or distribution which are currently as well developed as those for deregulating generation.

In summary, I believe that over time there may be opportunities for expanding generation outside the scope of the current level of regulation. Furthermore, I think there are opportunities for production efficiencies in an improved system of power interchanges between and among utilities. A market of some sort will probably be necessary to bring this about. For the near future, I do not see any other fundamental changes likely in the electric system.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 13

We understand that Illinois has a phase-in plan that is functioning well in its application for at least one coal plant in the state. Can you tell us how this phase-in plan for large facilities works?

ANSWER

The Illinois Commerce Commission has approved one phase-in plan for one utility -- Iowa Illinois Gas and Electric Co. for its Louisa generating plant. Other phase-ins are under discussion and the optimal technique for phase-in is not, in my mind, a settled issue.

Phase-ins may be potentially considered justified when a large capital item first enters a rate base and normal ratemaking procedures would impose an economically inefficient or unfair proportion of the cost of the capital item on current ratepayers. The Louisa phase-in in Illinois was designed to make the time paths of the utility's prices more economically efficient than would have routine ratemaking procedures. Rate continuity was also an important consideration.

In particular, the phase-in was a seven-year plan. At the end of seven years, the routine model would apply. The four principal expenses that were deferred were (1) the return on equity attributable to Louisa, (2) the return on the preferred stock attributable to Louisa, (3) the taxes attributable to

those returns, and (4) the depreciation for the first year of the plant's life.

A tentative conclusion at this early date could be that the phase-in decision was a good one and that the plan was a good one, but that equally good plans exist that are simpler. As I remarked earlier, phase-in techniques are still a subject of internal debate within the Illinois Commission.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 14

How has your experience in Illinois affected your attitude regarding PURPA rate design standards? For example, do you believe the PURPA rate design standards have any application at the wholesale level, which is the FERC's jurisdiction?

ANSWER

As a general matter, the application of the PURPA rate design standards has been generally considered to have been a step forward in ratemaking, at least from an economic standpoint. The Illinois Commerce Commission was moving to impose all five of the PURPA standards before the enactment of PURPA. PURPA merely accelerated the process.

Two lessons, at least, appear to have been learned from Illinois' experience. First, the amount and quality of rate design research needed from utilities and regulatory staffs is much higher when honoring PURPA standards than when following old embedded-cost ratemaking models. Second, movements towards the proper application of PURPA standards must be made incrementally and with substantial effort devoted to explaining to customers why decades-old pricing practices are being abandoned for new ones.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 15

How would you calculate the avoided costs required by PURPA section 201? Do you believe that the avoided costs should be only true avoided costs or should it be more than true avoided costs?

ANSWER

It has become customary to define electric utility service to on-line end-users to consist of three principal items: energy, capacity and capability. For large customers, this results in a three-part tariff consisting of energy charges, demand charges and customer charges. The first two of these frequently are time and/or seasonally differentiated. All three of these "products" are jointly produced, but the marginal cost of each "product" can be reasonably approximated and therefore priced with tolerable precision. For small customers, the cost of metering does not justify distinguishing between energy and demand charges so a more simple two-part tariff consisting of a KWH charge and a customer charge is usually imposed. The KWH charge combines energy and capacity components. Designing rates for these customers is a less precise activity than designing rates for large customers since the marginal cost for KWHs is more difficult to conceptualize precisely. Still, it can be done with generally reasonable precision and is so done.

By analogy it can be asserted that a utility purchasing energy from non-regulated electricity generators is purchasing similar "products" to those it sells. It then becomes conceptually possible and potentially, as a broad generalization, administratively useful and economically efficient to equate avoided costs of a utility with its marginal costs. There is then to be defined a marginal cost of energy, a marginal cost of capacity, and a marginal cost of capability.

Just as the utility sells both interruptible and firm service, it may consider purchasing such services from non-regulated generators who want to offer different qualities of service.

For small, non-regulated generators metering costs may not justify such elaborate pricing and [illegible]logy of selling to a small volume buyer, the utility may c[illegible]der defining avoided costs as the marginal cost of KWHs.

The ease with which those principles are stated should not lead one to believe that their application is equally simple. Marginal costs of energy and capacity are defined with respect to a planning horizon. And marginal costs are not invariant with respect to time horizons. It cannot, therefore, be expected that the marginal cost of energy or capacity appropriate for one year contracts are the same as those costs for five or ten year contracts.

Utilities probably should not, as a matter of general policy, be required to purchase electricity "products" from non-regulated

generators at prices higher than the utility's relevant marginal costs for those products or at prices lower than the utility's marginal costs for those products. There, however, may be two exceptions to that generality. A contract between a utility and a non-regulated generator is not only an instrument for recording agreed-upon prices; it is also an arrangement for sharing risks. If the utility agrees to absorb risks, for example, by agreeing to a take-or-pay provision, then a price or prices below the utility's marginal costs may be an appropriate benefit to the utility for its risk assumption. Secondly, once a utility has contracted to take electricity products under a long-term contract at predetermined prices, that is, it has agreed to accept some of the risk of demand and/or cost fluctuations, it may be considered reasonable to expect it, at times, to pay more or less than the current marginal costs of those products.

The reason for developing non-regulated generation is that it adds to the efficiency of energy generation and use and thereby to the efficiency of the economic system. To require a utility to purchase at prices <u>higher</u> than the utility's marginal costs as a general practice would be to lower the efficiency of energy production and of the economic system. To require a utility to purchase electricity products at <u>lower</u> than its marginal costs would produce similar undesirable results.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR DON NICKLES

QUESTION NO. 1

Under what circumstances, if any, should a FERC-granted hydropower project be used to override state law?

ANSWER

I have been advised informally by the F.E.R.C.'s General Counsel that in Part I of the Federal Power Act, 16 U.S.C. §§ 791(a)-825(r), Congress gave the Federal Energy Regulatory Commission the exclusive jurisdiction to authorize non-Federal hydroelectric project works that occupy United States public lands and reservations, are on navigable waterways, use surplus water or water power from a United States dam, or affect interstate or foreign commerce. In carrying out this authority, derived from Congress' Property and Commerce Clause powers, the Commission solicits the views of the states and their agencies. State resource agencies typically provide detailed comments, and sometimes intervene to participate in any hearings that may be held. However, as a general rule comments from state agencies do not discuss particular state laws or how they may conflict with the Federal licensing provisions. Rather, the comments focus on the merits of the application filed with the Commission. Thus, in practice Federal and state review of proposals to develop the nation's water resources is generally cooperative, and I am advised that only rarely is there conflict resulting in a de facto override of state law.

I am not sufficiently informed at this time on this question, however, to have an opinion on the specific cases, if any, when this might occur, if ever.

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR DON NICKLES

QUESTION NO. 2

How do you feel about one state using a FERC hydropower permit to override another states scenic river law?

ANSWER

I have been advised informally by the F.E.R.C.'s General Counsel that a preliminary permit issued by the Commission does not authorize construction of any proposed project. Such a permit merely affords a permittee priority of application while it conducts feasibility studies and prepares an application for license. Consequently, a preliminary permit should not be considered to impinge on any scenic designation of a stream, whether designated by Federal or state authority.

A license issued under Part I of the Federal Power Act does, however, authorize construction of a project. Licenses may be held by states or municipalities, in addition to corporations, individuals or other private entities. The Commission is prohibited by the Federal Wild and Scenic Rivers Act, 16 U.S.C. §§ 1271-1287, from issuing licenses for hydroelectric projects on or directly affecting any river which is part of the national wild and scenic rivers system. 16 U.S.C. § 1278(a). A river becomes part of that system either when it is authorized for inclusion therein by an Act of Congress or when it is so designated, subject to the approval of the Secretary of the Interior, by the state or states through which it flows. 16 U.S.C. § 1273(a).

In addition to those streams protected by this Federal legislation, some states, on the basis of scenic, recreational or other considerations, have passed legislation designating other streams or portion of streams (not protected by Federal legislation) worthy of special protection limiting development on that stream. Although such state legislation does not bind the Commission in the exercise of its Federal licensing authority, it is properly considered by the Commission in rendering its independent judgment as to whether a license should be issued. Under Section 10(a) of the Act, 16 U.S.C. § 803(a), before the Commission issues any license, it must find the proposed project to be best adapted to a comprehensive plan for improving the waterway for all beneficial public uses. Beneficial public uses include, among other things, resource conservation, water quality control, flood control, fish and wildlife protection, recreation and aesthetic considerations. A state designation of a stream for protection of any beneficial public use must and should be carefully weighed by the Commission in considering the proposal of another state, or indeed any applicant, to utilize the stream for hydroelectric power.

I am not sufficiently informed at this time to have an opinion on when or if one state should be allowed to use an F.E.R.C. license to override another state's scenic river law.

FEDERAL ENERGY REGULATORY COMMISSION
WASHINGTON, D.C. 20426

June 12, 1984

Honorable James A. McClure
Chairman, Committee on Energy
and Natural Resources
United States Senate
Washington, D.C. 20510

Dear Chairman McClure:

Enclosed please find nominee Charles G. Stalon's response to follow-up Question No. 7 resulting from his confirmation hearing on June 7, 1984, submitted by Senator Wendell Ford. It was inadvertently omitted from our original submission, and I apologize for this inconvenience.

If I can be of further assistance in this regard, please do not hesitate to call.

Sincerely,

Pam Simpson

Pamela Whitted Simpson
Director, Congressional Liaison

Enclosure

cc: Senator J. Bennett Johnston
Senator Wendell Ford
Senator Don Nickles

ADDITIONAL QUESTIONS SUBMITTED BY SENATOR WENDELL FORD

QUESTION NO. 7

Do you agree that unless Congress amends the Natural Gas Act the Commission does not have the necessary legal authority to require mandatory contract carriage?

ANSWER

Based upon my current understanding of the Natural Gas Act, and upon informal advice from the F.E.R.C.'s Office of the General Counsel, I am currently of the opinion that it is doubtful that the F.E.R.C. could mandate a general system of contract carriage. Moreover, it appears likely that any attempt by the F.E.R.C. to do so would be accompanied by a cloud of legal uncertainty that would probably prevent such a system from working efficiently. As a practical matter, therefore, if such a structural change is to be made with unambiguous authority, it would be necessary for the Congress to decide whether to do it directly by legislation or to provide the F.E.R.C. with unambiguous authority to do it.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 8 1984

Honorable James A. McClure
Chairman
Committee on Energy and
Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

Transmitted herewith are my answers to the written questions which were submitted to me by members of the Committee following yesterday's hearing. Thank you for the opportunity to respond to these questions.

Sincerely,

Robert N. Broadbent
Assistant Secretary-Designate
for Water and Science

Enclosure

Question 1. The National Wildlife Federation recently published a report criticizing the Department of the Interior for failing to implement the recommendations of its own Inspector General with respect to the recovery of costs of Federal water projects. Please provide a complete and detailed response to the Federation report.

Response 1. As a public official I always appreciate receiving constructive criticism and advice from individuals and organizations both inside and outside of Government. Outside scrutiny of our programs is healthy and should be encouraged.

The recently published report of the National Wildlife Federation deals with seven IG audits associated with six Federal water projects.

As a premise to my more specific comments on the report, I offer the following general observations:

-- Six of the seven IG audits have been closed. The Central Valley Project (CVP) Municipal and Industrial Water Activities report is the only open audit. Public hearings are being conducted on CVP water ratesetting policy options. This audit should be closed out by January 1985.

-- The role of the Secretary of the Interior, as set forth in the 1902 Reclamation Act and reiterated in Reclamation Project Act of 1939, and numerous specific project authorizations is to negotiate and enter into contracts for the repayment of reimbursable construction charges--not the Department of Justice as suggested in the report.

-- In addition to the Federal laws which authorized the development of these projects, long-term repayment and water service contracts have been executed. It is the policy of this Administration to uphold both the law and to honor existing contractual commitments made by the United States.

-- The policy of the DOI is to assure that the costs of developing and supplying municipal and industrial water are fully recovered with appropriate interest costs.

-- Report findings regarding hydroelectric power marketing are the responsibility of the Department of Energy.

-- The annualized revenue shortfall stated by NWF does not address fluctuating interest rates, acceleration of repayment capabilities, miscellaneous revenues, and discount rates. It should also be noted that the reports, time frames, and supporting data are speculative.

I will now specifically address each of the individual audits.

Robert B. Griffith Water Project, formerly identified as the Southern Nevada Water Project--September 1980

An inadvertent and inappropriate gap exists in interest calculations between the end of interest during construction and the beginning of interest on the unamortized investment that the water users should repay to the Federal Government. In a memorandum dated February 22, 1983, the former Secretary accepted the Colorado River Commission's explanation and legal interpretation

of the terms. It was decided that two of the four month's omitted interest plus compound interest at the contract rate would be added to the Stage I repayment schedule. By letter dated October 13, 1983, to Jack Stonehocker, Director of the Colorado River Commissioner of Nevada, Mr. Jed Christensen, Acting for me, urged the CRC to execute the letter agreement which would amend the existing repayment schedule for Stage I. He also indicated that if such amendment did not occur prior to the next payment due date (March 1, 1984) the Secretary's settlement would be nonbinding and the collection of the full four month's interest including accrued interest through February 28, 1984, would be initiated on or about March 30, 1984. As of today, the CRC has not formally executed that agreement.

The Inspector General has advised me that he is considering reopening this audit on the basis that the Secretary did not have the authority to compromise the interest due the United States.

Pick-Sloan Missouri Basin Program--July 1978

The IG report discussed the present basis for financial management of the Pick-Sloan Missouri Basin Program (P-SMBP) which utilizes the "ultimate development" concept of planning and cost allocation. It was stated that because much of the development is not yet authorized, the actual current cost of all aspects of the program is obscured and appropriate revenues are not being realized. Actually the entire project is authorized (except for three small hydro projects deauthorized in 1964). Much of the project is in place or under construction. Much yet remains to be completed.

We submitted the IG report to the Department of the Army (Corps of Engineers) for consideration and to the Interior Solicitor for his opinion. The Department of the Army reported that "...broadly-based Administration deliberations concerning sale of power outputs at market rates should precede any efforts to develop new cost allocations for the Pick-Sloan Project." The Solicitor concluded that it was the intent of Congress that the "ultimate development" concept be used to establish cost allocations and repayment obligations. Therefore, based on this information, we believe the issues of the 1978 audit of the P-SMBP have been resolved.

It should be noted that the ultimate development concept has been the subject of extensive Congressional scrutiny. As a result, we are today legislatively prohibited from even studying the advisability of a change in these policies. Section 302(a) of the Energy Organization Act of 1977, which transferred the power marketing functions of the Bureau of Reclamation to the Department of Energy, provided that:

> "Neither the transfer of functions effected by ... this subsection nor any changes in cost allocation or project evaluation standards shall be deemed to authorize the reallocation of joint costs of multipurpose facilities theretofore allocated unless and to the extent that such change is hereafter approved by Congress."

This provision was added to the energy reorganization legislation by the Senate on May 18, 1977, at which time Senator McGovern, its sponsor, said:

> "[This] amendment is a very simple one that would make certain that cost allocations with respect to multipurpose projects shall not be changed without the approval of Congress.

While I am concerned specifically about the Missouri Basin project, it is proper to protect the allocation of joint costs on all projects . . . .

* * * *

The operating power system of the Pick/Sloan Missouri River Basin project includes 23 powerplants with 2.7 million kilowatts of installed generating capacity, 177 substations with 6.9 KVA of transformer capacity, and 10,600 miles of transmission line.

In fiscal year 1976, an aggregate of 16.5 billion kilowatt hours was delivered to 344 customers for resale and distribution, with a return of revenue of $117 million. Sales were primarily to preference customers who have firm power allocations which the Bureau of Reclamation is committed to deliver under long-term contractual arrangements, such as rural electric cooperatives, power districts and municipalities.

The Congress has carefully reviewed the financial aspects of the total project during previous years. The Department of the Interior prepared a financial report and recommendations for financial management that were accepted by the Congress in conjunction with the authorization of the Garrison unit in 1966 [sic].

The amendment I am proposing today would make certain that cost allocations and project evaluations with respect to joint costs of multipurpose projects shall not be changed without the approval of Congress. (123 Cong. Rec. 15300 (1977))

We are further restricted by section 506 of Public Law 98-50 (July 14, 1983), the Energy and Water Appropriations Act 1984, which states:

> "Notwithstanding any other provision of this Act or any other provision of law, none of the funds made available under this Act or any other law shall be used for the purposes of conducting any studies relating or leading to the possibility of changing from the currently required "at cost" to a "market rate" or any other non-cost-based method for the pricing of hydroelectric power by the six Federal public power authorities, or other agencies or authorities of the Federal Government, except as may be specifically authorized by Act of Congress hereafter enacted."

This same language has been included in the Energy and Water Appropriations Bill for FY 1985 which is currently being considered by the Congress.

Because of these limitations, I have been unable to conduct a complete evaluation of pricing options and therefore can't comment on the advisability of moving away the ultimate development concept or recommending such a change to the Congress.

Central Arizona Project--September 1980

The IG's report takes issue with the method used to determine the proper interest rate for repayment, the method by which interest-bearing costs were determined, and whether interest during construction should be accumulated on a compound rather than a simple basis for CAP.

The Solicitor in a memorandum dated October 14, 1981, concluded that the history of the CAP authorizing legislation supports the position that the Congress intended the interest rate to be determined as of the time construction was initiated on CAP. The Solicitor further concluded that the use of simple interest for computing interest during construction for CAP was appropriate and cautioned that no document purporting to alter the existing contract should be introduced into the validation proceedings to ensure that the intent of the parties is clear. The Master Contract with the Central Arizona Water Conservation District, dated December 15, 1972, was validated May 24, 1983, without alteration of its terms and conditions.

Central Valley Project (CVP) Municipal and Industrial Water--September 1979

The IG's report recommended that a water marketing policy for CVP be established to include IG recommendations relating to the recovery of prior deficits and to bring about equitable treatment of municipal and industrial users. A Secretarial Issue Document, which addressed the IG issues, was prepared but not finalized. Nevertheless, the "CVP Ratesetting Policy Proposal, April 1984" is now available for public review and comment. In this proposal there are two major differences from the past policies. First, the procedure of extending the repayment period each time a new facility is added to the CVP has been abandoned. Second, the proposed policy anticipates crediting any past payments towards capital to the contractor's overall

CVP capital responsibility and amortizing underpayments over the contractor's remaining repayment period. There were three public hearings held in California to receive formal comments on the ratesetting policy; e.g., May 14, 1984 - Los Banos; May 15, 1984 - Visalia; and May 17, 1984 - Willows. I am told that the public comment period on the proposed Water Rate Policy will be extended until August 31, 1984. A completed options document covering both irrigation and M&I functions is expected to be submitted to the Commissioner of the Bureau of Reclamation for review and eventual Secretarial approval by the end of 1984. This audit remains open.

Central Valley Project (CVP)--January 1978

The Inspector General has questioned the ability of the CVP to meet operating and interest costs and to satisfy the repayment obligation for the various reimbursable project functions.

Pursuant to the Energy Reorganization Act of August 1977, any adjustments in hydroelectric power rates are the responsibility of the Department of Energy. Therefore, I am not in a position to offer substantive comments on this audit.

Fryingpan-Arkansas Project--August 1980

Revision of the cost allocation of the Fryingpan-Arkansas project to provide for the proper assignment of costs to reimbursable and nonreimbursable functions was recommended by the IG.

These recommendations quoted on pages 60 and 61 of the NWF Report for revising the cost allocation related to:

1. Reducing non-reimbursable Fish and Wildlife and recreational charges;
2. Increasing costs assigned to municipal and industrial water;
3. Reducing the interest during construction charges to reimbursable purposes; and
4. Assigning joint costs to the Mt. Elbert powerplant.

The last three recommendations were followed. The first was not followed because the Bureau's allocation was based on benefit calculations that had been presented to Congress in earlier reports. It was the Bureau's practice not to incorporate new procedures on planning reports nearing completion. For this reason, the procedures advocated by the IG were not incorporated in the report sent to the Congress. Since it is the policy of the Bureau not to recalculate benefits once a project is authorized, the cost allocation based on these benefits was not changed.

The follow-up steps to reflect the changes that were made to the cost allocations in response to the IG included rate increases from $37/kWA to $44/kWA by the Western Area Power Administration. As stated in the Assistant Secretary's memorandum dated September 30, 1980, we have agreed to correct the benefits computation where the the municipal and industrial benefits fail to include a part of the Homestake Project cost as part of the fiscal year 1982 justification process. We also agreed that the 1958 Water Supply Act should be applied to Ruedi Dam and Reservoir. With the concurrence of the Secretary on June 29, 1981, no further adjustments were made on this project's cost allocation and the audit report has been considered resolved.

Colorado River Storage Project--September 1980

The IG expressed concern that repayment contract for the $900 million Bonneville Unit of the Central Utah Project was not adequate for repayment of the reimbursable costs of the project. Because of the urgency of the matter, the escalating costs, and negotiation problems, the IG recommended that the Department provide the water users with a specific date for contract execution, and options being considered to obtain adequate repayment of the Federal investment.

Contrary to the analysis presented by the National Wildlife Federation, we believe that costs for construction of Jordan Aqueduct and the Strawberry Collection System are adequately covered. The existing repayment contract provides for repayment of $160.4 million of municipal and industrial (M&I) water costs, including a $10 million contribution by the Central Utah Water Conservancy District. The 1965 contract provided for use of the 1958 Water Supply Act to defer costs for future M&I water supply. This provision has been invoked and the district, by board resolution, has agreed to enter into a contract to repay those costs. The Bureau of Reclamation has informed the district that it must have additional repayment coverage before proceeding with construction of Jordanelle Dam.

Reclamation is within 30 days of initiating negotiations of the contracts to recover these additional costs from those who will benefit.

Local interests are supportive and anxious to being these negotiations. We, at Interior, are looking forward to their successful completion and laying this issue to rest.

On March 2, 1982, I received a memorandum from the IG's Regional Audit Manager, Western Region, which stated that, in regard to the September 1980 IG Audit Report concerning the repayment contract for the Bonneville Unit, the IG concerns have been adequately addressed and the report has been removed from the followup system.

Question 2(a). Based on your experience as Commissioner of Reclamation, please identify the specific water project cost-recovery problems that you see facing the Bureau of Reclamation. Please address both the cost recovery issues raised in the Federation report and any others that you believe are significant.

Response 2(a). From my experience as Commissioner of Reclamation, I would conclude that the most difficult water project cost recovery problems facing the Bureau of Reclamation are longstanding and are complicated by contractual commitments. Specific examples include the long-term, fixed-rate water service contracts (e.g., Central Valley Project) or repayment contracts with price ceilings for projects authorized or under construction, the costs of which have been subject to inflation while the repayment terms have not been (e.g., Bonneville Unit, Central Utah Project).

These contracts were negotiated and executed in good faith years ago but the officials at that time did not foresee, and therefore the contracts did not provide for, the inflation experienced during the past decade. Since contracts cannot be unilaterally reformed by the Administration or the Congress, the problem of underpayment (at least until contracts expire) cannot be readily (or inexpensively) corrected. Deferring payment until the contracts expire, or until they can otherwise be legally renegotiated, increases the interest cost to the Government.

(Cont.)
Response 2(a). Also, several other factors contribute substantially to the problem. The inability to secure appropriations to finance project construction in the past has exacerbated the inflationary impacts on the cost of construction relative to repayment ceilings provided in repayment contracts. Another factor is the lengthy and time consuming planning, authorization, design, and construction process. Delays are caused by many factors including regulatory burdens and frequently by the authorization process. The influence of government borrowing on inflation is usually cited as a major contributing factor.

Question 2(b). What would you do as Assistant Secretary to rectify these cost-recovery problems? Please provide a detailed, specific agenda of what you would do and when you would do it. In particular, please tell me whether you intend to re-open and reconsider the seven audit reports by your Inspector General.

Response 2(b). In the case of the long-term, fixed-rate, water service contracts for the Central Valley Project, we have proposed, and currently have under public review, a ratesetting policy for irrigation cost recovery. A similar proposal is in preparation for municipal and industrial water ratesetting. The effect of the proposed policy is, in essence, to fix the repayment schedule for existing investments (i.e., discontinue the practice of "rolling repayment") and allocate existing and future deficits to individual contractors responsible for the deficits. It is anticipated that accumulated costs would be recovered from the responsible contractors when existing contracts expire or are renegotiated.

We currently anticipate extending the public comment period on the proposed irrigation ratesetting policy until August 31, 1984. After receiving and evaluating public comments, a recommended policy will be submitted to the Secretary for his consideration. I am optimistic that the policy will be adopted by the Secretary and implemented by December 31, 1984. A similar schedule is anticipated for the municipal and industrial water ratesetting policy and I am hopeful that it

(Cont.)
Response 2(b). too will be adopted by the end of 1984. Amendments of the Central Valley Project (CVP) and other project irrigation water contracts to come under provisions of the Reclamation Reform Act of 1982 will provide an opportunity to adjust rates to assure improved cost recovery. Repayment of costs for the Bonneville Unit, Central Utah Project is also receiving positive attention. I have been informed that through 1984 approximately $558 million have been spent for construction on the project. Of this amount, $526 million are allocated to reimbursable purposes and must be repaid. It is my understanding that repayment is anticipated as follows:

$526 million	to be repaid
77 million	for specific municipal and industrial facilities
$449 million	remaining joint project costs

Approximately 25 percent of these joint costs, or $113 million, will be allocated to M&I. However, repayment of 58 percent of these costs are to be deferred in accordance with the provisions of the Water Supply Act of 1958, leaving $48 million to be covered under existing repayment obligations. M&I obligations through FY 1984 then total $125 million ($77 million specific and $48 million joint).

Of the $105 million requested for FY 85, approximately $14 million are required to complete the M&I distribution facilities, and $65 million will be spent on the water collection system (joint costs). These expenditures will result in an additional $21 million in M&I obligations to be covered by existing contract

(Cont.)
Response 2(b). repayment authority ($14 million specific $7 million joint). M&I obligations through FY 85 would then total $146 million. Some additional costs in FY 86 (approximately $15 million are required to totally complete the collection system). These costs would result in another $2 million in M&I obligation bringing the total M&I obligation to $148 million. Current M&I repayment authority is $150 million which includes $10 million of conservancy district contributions.

As a result of utilizing provisions of the 1958 Water Supply Act approximately $75 million of M&I repayment has been deferred. Future growth in the Salt Lake Valley and a resolution by the district board of directors agreeing to enter into a supplemental repayment contract, when appropriate, adequately ensures that these deferred costs will be repaid.

Repayment contract negotiations are to be initiated immediately with those entities who are using the specific M&I distribution facilities. These contracts will provide for an additional $90 million of M&I repayment and repay the specific M&I construction costs. Additional supplemental repayment authority will be negotiated for M&I allocations of joint costs with the district in the immediate future.

I have been informed that contract discussions are currently underway with the Salt Lake County Water Conservancy District, Metropolitan Water District of Salt Lake City, Utah Power and Light, City of Orem, City of Provo, City of Spanish Fork, and several other communities in Utah County.

(Cont.)
Response 2(b). Construction of additional features of the Bonneville Unit (such as Jordanelle Dam) that require additional M&I obligations will not be initiated until additional repayment obligation has been secured from the Central Utah Conservancy District. Permission to enter into these negotiations has been requested by the Regional Director and is being reviewed for approval by the Washington Office.

The responsibilility and the opportunity to reopen and reconsider the seven audit reports is under the purview of others. It is my understanding that only the Inspector General or the Secretary may do so. Moreover, the Secretary advised the Committee during his confirmation hearing that he intended to evaluate the programs, policies, and people of the Department of the Interior. I am confident that in his deliberations with the Inspector General he will give proper consideration to the issue of reopening these audits.

Question 2(c). What changes in existing law do you believe are needed with respect to water project cost-recovery? Please include specific statutory language.

Response 2(c). The contract problems noted above do not readily lend themselves to legislative remedy. The types of legislation which would respond favorably to the problem in a generic sense have been suggested by the President as those measures which serve to reduce inflation, deficits, and taxes (to the extent such tax reductions stimulate the economy and national productivity).

Other actions which will have a positive influence might include regulatory reform and streamlining the planning, authorizing, and appropriations processes.

In addition to actions noted above, there are also opportunities available to the Executive Branch which can be, and are being, used to reduce subsidies and enhance project repayment. As an example, in early 1981 we established a policy of requiring existing contracts to be renegotiated to increase project repayment when contractors requested new or supplemental benefits such as additional water supplies or project financial assistance. Also, we are implementing the President's non-Federal cost sharing policy to assist in project financing. Cost sharing provides more continuity in the appropriations process and relieves pressure on the Federal budget.

Question 3(a). In a 1978 report, the Department's Office of Audit and Investigation stated that most existing contracts for the sale of irrigation water in the Central Valley Project contain fixed rates that cannot be adjusted.

Do you believe that such contract terms are consistent with sound business principles?

Response 3(a). No.

Question 3(b). Do you believe that such contract terms are legal?

Response 3(b). Yes.

Question 3(c). During your tenure as Commissioner, has the Department entered into any water service contracts that include rates that cannot be adjusted?

Response 3(c). To the best of my knowledge there have been no long-term, fixed-rate water service contracts executed during my tenure as Commissioner. In the Bureau of Reclamation, there have been short-term (e.g., one-year) contracts with fixed rates executed when the cost of service could be computed with relative certainty and no cost adjustments in the rates would likely be required. I am not familiar with contracting processes which may have been used in the Department for water service contracts in other Bureaus (e.g., Bureau of Indian Affairs).

Question 3(d). As Assistant Secretary, would you ever enter into a water service contract that includes rates that cannot be adjusted? If so, under what circumstances?

Response 3(d). As a general rule, I would require periodic review and adjustment provisions in all contracts, unless legislative direction, court order, or court endorsed stipulated settlements require otherwise. Preserving discretion to look at individual circumstances is important to the exercise of the duties and responsibilities of the office for which I have been nominated.

Question 4(a). The major cost-recovery issue with respect to the Pick-Sloan Missouri Basin Program is the use of the "ultimate development" concept.

The Office of Audit and Investigation concluded that the ultimate development concept as employed for the Pick-Sloan Project "is not defensible as a realistic or business-like concept for future management of Pick-Sloan . . . ." Do you agree? Please explain.

Response 4(a). As noted in response to question number 1, I have not had benefit of a full evaluation of pricing options. Additionally, in light of the recent congressional action such as the 1977 McGovern amendment and the FY 1983 and FY 1984 appropriation limitation language discussed in response to question number 1, there has been a prohibition against expending the resources required to develop such an analysis.

However, from a conceptual perspective I do have concerns with ultimate development. The ultimate development period may be over such a long period of time that cost and revenue projections become unrealistic.

Question 4(b). The OAI report recommended that the cost allocations for the Pick-Sloan Project be based on current development or a reasonable alternative scenario. Aside from the legal issues involved, do you believe that this recommendation represents sound policy? Please explain.

Response 4(b). Absent a full evaluation, it is difficult to conclude what effect such changes would have on local and regional economics, legislative commitments to participating States, or on contractual obligations. Without such information I cannot conclude whether the recommendation is sound.

Question 4(c). Do you agree with the National Wildlife Federation's estimate that over $6 billion of Federal investment will not be recovered as a result of the Bureau's use of the ultimate development concept?

Response 4(c). No. I am advised that the National Wildlife Federation (NWF) characterizes "irrigation aid" for "future" projects as an investment that the Treasury will not recover, and the NWF indicates that there will be financial costs of carrying this investment. It should be understood that the rate and repayment study is just a forecast. Actual irrigation payments will not be made until after the power investment is recovered and there is use of the water by participants in these future projects. Since the irrigation investment is repaid without interest, there will be financial costs to the Treasury. However, the extent cannot be determined without projecting future interest rates.

If current development were adopted, and if one wanted to estimate the impact of uncompleted units of Pick Sloan Missouri Basin (PSMB) on the Treasury, it would be reasonable to take the $250 million already invested in Garrison and Oahe (as of 1980) and determine the interest on this amount for 40 years.

If we assumed the sale of bonds to finance a construction cost of $250 million at the time of start of construction in 1967 with the cost of borrowing to the U.S. Treasury

(Cont.)
Response 4(c). at that time of 4.165 percent [1] (computed interest rate on interest-bearing public debt of the U.S. Treasury), and with a repayment period of 40 years, the interest cost would be about $1 billion. This result is less than 20 percent of the amount reported by NWF ($6 billion). However, it is clear that the impact on the Treasury is not the result of the ultimate development concept but rather the result of delays in construction and of providing interest free repayment terms to irrigation.

Question 4(d). The Interior Solicitor's Office has concluded that the current development concept cannot be used without Congressional approval. Why has the Department not sought such approval? If confirmed, will you seek such approval?

Response 4(d). In my opinion the Department has not sought legislation for reasons previously described.

If the Congress were to take action to encourage an evaluation of options, I would be pleased to work with the Departments of Energy, Army (Corps of Engineers), Office of Management and Budget, the Congressional Committees and the affected publics to fully evaluate options which might be available to enhance cost recovery including the "current development concept."

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Question 5(a). The Bureau's repayment policy for the Central Valley Project delays repayment through the use of a rolling repayment period.

Do you believe that the rolling repayment period is sound policy? Please explain.

Response 5(a). The 1981 interim repayment policy for the CVP provides for rolling the repayment period but does not allow credit for previous capital payments.

If rates were adjustable under this policy, repayment would be achieved within the authorized repayment period. However, the Reclamation Reform Act of 1982 requires that credit for previous payments be given for purposes of calculating full cost rates. If this provision is applied to the 1981 policy, repayment could not be assured. When combined with the statutory provision allowing water service contract conversion to repayment contracts, it seems an appropriate time to begin accounting on an individual contract basis to expedite contract conversion upon completion of the CVP.

Consequently, in the current proposed CVP Ratesetting Policy Proposal (April, 1984) the practice of rolling repayment has been discontinued.

Question 5(b). Do you believe that the Bureau has the legal authority to abolish the use of the rolling repayment period? If so, will you abolish it if confirmed? If not, will you propose and support the necessary legislation if confirmed?

Response 5(b). Yes. We are currently soliciting public comments on a ratesetting policy proposal which would discontinue rolling the repayment period. At this time, I am awaiting final judgment until I have had the benefit of reviewing responses from the public participation process.

Question 6(a). According to the Inspector General, repayment limitations in the Bonneville Unit CUP repayment contract will result in a cost-recovery shortfall of approximately $198 million.

Do you agree?

Response 6(a). No.

Question 6(b). Is the repayment limitation in the contract legal?

Response 6(b). It is my understanding that it is legal.

Question 6(c). Why has the Bureau continued to seek appropriations for this Unit in the absence of a renegotiated contract that secures full repayment?

Response 6(c). See response to Question 2b.

Question 7(a). The Inspector General reported a $739,162 interest underpayment in the repayment contract for the Robert B. Griffith Water Project. According to the NWF, Secretary Watt forgave half of this underpayment despite a Solicitor's Opinion that full repayment is required under the law.

Is this true? If so, what was the legal basis for the Secretary's action?

Response 7(a). The Secretary proposed a settlement to the Colorado River Commission of Nevada which would have obligated it to pay half of the disputed interest. On October 13, 1983, my Assistant, Mr. Jed Christensen (in my behalf), indicated in a letter to the Director of the Nevada Colorado River Commission (CRC) that if the proposed settlement was not executed by March 1, 1984, the proposed settlement would be non-binding. To this date, the settlement has not been finalized. However, the annual payment which CRC submitted on March 1, 1984, included $17,966 for one amortized installment on its omitted payments. Whether this constitutes an acceptance of the settlement is a legal question which I intend to refer to the Solicitor.

The question of the legal basis in the Secretary's action is one which I am ill equipped to comment on as it is strictly a legal question. It is my understanding that the Inspector General and the Solicitor are examining the issue at this time and the audit may be reopened.

Question 7(b). Did you participate in the handling of this matter? If so, do you think that your participation represents a conflict of interest in view of the fact that you had been a Director of the Las Vegas Valley Water District?

Response 7(b). My participation in the handling of this matter was limited and, as the public record reflects, the Bureau's recommendation was to accept the recommendation of the Inspector General. Based upon this record and a discussion with the Department's Ethics Officer, I think that my participation does not represent a conflict of interest.

Question 7(c). Did you consider recusing yourself from consideration of this matter? Please explain.

Response 7(c). I considered recusing myself to avoid the question of conflict. However, rules regarding conflict are quite specific and it was and is my understanding that there was no conflict under these circumstances.

The Las Vegas Valley Water District (District) was not a party to the contract in question. While the District did contract with the Division of Colorado River Resources (now the Colorado River Commission or Commission) to operate and maintain the Robert B. Griffith Water Project, it did so prior to my membership on the District Board. Consequently, I participated in no contract negotiations, nor did I participate in ratifying the agreements. While Clark County as a whole benefits from the water project, I do not believe my membership on the District Board of Directors or as a member of the Board of County Commissioners could in this instance constitute a conflict.

Question 7(d). If confirmed, will you seek full repayment of the underpayment?

Response 7(d). It is my understanding that the Inspector General is considering whether to reopen the audit for the Robert B. Griffith Water Project. It will be my recommendation to the Secretary, as it has been consistently in the past, to abide by the Inspector General's findings that are consistent with the law.

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 12 1984

Honorable James A. McClure
Chairman
Committee on Energy and
Natural Resources
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

When I submitted the answers to the Committee's questions to you on Monday, June 11, they were to the best of my knowledge true and accurate. Information has just been made available to me which I believe should be added to my response to question 7(a) for clarification.

While the answer to question 7(a) was accurate at the time I answered it, I believe it necessary to apprise the Committee of certain events transpiring which I did not have knowledge of at the time. While the March 1, 1984, deadline for settlement had passed, nonetheless, on June 1, 1984, N. W. Plummer, the Bureau of Reclamation's Regional Director for the Lower Colorado Region, sent an executed settlement to Mr. Jack Stonehocker, Executive Director of the Colorado River Commission of Nevada, formalizing their agreement with Secretary Watt. Subsequently, Mr. Stonehocker was informed that the Bureau's offer to settle was withdrawn. On Monday, June 11, after having submitted the answers to your questions, I was informed by N. W. Plummer that Mr. Stonehocker nonetheless executed the settlement agreement. While it is my understanding that the execution of this settlement may not be legally effective, I believe that this may be a question of law for the Solicitor's Office to determine, and I have asked the Solicitor's Office to render an opinion on this subject.

I hope that this additional information will clarify my original response.

Sincerely,

Robert N. Broadbent

Robert N. Broadbent
Assistant Secretary-Designate
for Water and Science

United States Department of the Interior

OFFICE OF THE SECRETARY
WASHINGTON, D.C. 20240

JUN 25 1984

Honorable Howard M. Metzenbaum
United States Senate
Washington, D.C.

Dear Senator Metzenbaum:

Thank you for your letter of June 19, 1984, in which you submitted several questions to me. I appreciate having the opportunity to provide you my views on these subjects.

Enclosed herewith for your review are my answers to your questions.

Sincerely,

Robert N. Broadbent

Robert N. Broadbent
Assistant Secretary for
Water and Science - Designate

Enclosure

QUESTION 1(a). The Senate version of the Energy and Water Appropriations Bill for fiscal 1985 contains report language directing the Inspector General to "schedule for audit the accounts of all major reclamation projects completed or under construction in order to verify their financial status in accordance with generally accepted accounting principles, during fiscal years 1985-87." Will you provide assurances that you will implement this directive whether or not it remains in the final version of the bill?

RESPONSE 1(a). Personally, I would welcome a comprehensive audit of the sort called for in the 1985 Energy and Water Appropriations Bill. If the Inspector General is directed to do these audits, I have no doubt that he will comply and you can be assured that the Office of the Assistant Secretary - Water and Science and the Bureau of Reclamation will fully support this effort. If the language referred to above does not remain in the final version of the bill, I will support the decision of the Inspector General and the Secretary as to whether to perform these audits. I would personally recommend that they be performed regardless of congressional action.

QUESTION 1(b). Will you provide assurances that if additional funds or personnel are needed to comply with this mandate you will seek and support efforts to secure both?

RESPONSE 1(b). If additional funds or personnel are needed to comply with any request for audits of the Bureau program which are mandated by law, I will certainly do my best to support efforts to provide any needed funds or personnel.

QUESTION 2. You noted in one of your answers that recent appropriations bills, including the pending energy and water measure, contain language prohibiting the Department from making any studies "relating or leading to the possibility of changing from" at-cost to market rate or other non-cost based pricing of hydroelectric power provided through the Federal power marketing agencies.

You referred to this language as an excuse for refusing to comment on the advisability of moving away from the ultimate development concept or recommending such a change to Congress. In fact, the language in question is not in any way an impediment to informing Congress of the Administration's intent to abandon ultimate development on Pick-Sloan, nor does it prevent you from opposing future projects relying on this methodology. As you know, calculations based on ultimate development are, in fact, cost-based.

With these facts in mind, I would ask that you provide assurances that you will study and report to Congress whether the use of ultimate development at the Pick-Sloan project is appropriate and in the best interest of full cost recovery? Further, I would like your assurance that you will oppose any Congressional authorization which mandates use of the ultimate development concept for future projects.

RESPONSE 2(a). I appreciate your concerns expressed on this subject. While my gut feeling regarding the ultimate development concept is in accord with your views, I believe it is unwise to inform Congress on the Administration's intent to continue to use or to abandon the ultimate development concept without a careful and thorough study of the issue. Currently, we are legally prohibited from performing such a study. If

RESPONSE 2(a) continued

I would be pleased to study and report to Congress as to whether the use of the ultimate development concept of the Pick-Sloan project is appropriate and in the interest of full cost recovery.

As previously stated, from a conceptual prespective, I have concerns with ultimate development. Until I know more than I know today, I would hesitate to commit myself for or against the future use of ultimate development. I will say, however, that I personally believe that a complete analysis of this matter should be in hand prior to the authorization of any new projects utilizing the ultimate development concept.

QUESTION 3. The appropriations language you cited represents an extraordinary limitation on the legitimate discretion of your department. There is no reason for prohibiting a government agency from examining alternatives to current policies. Your continued acquiesence to this restriction raises serious questions about your interest in securing full cost recovery. Would you provide assurances that you will support and work for repeal of this language?

RESPONSE 3. I agree that the appropriations language represents an extraordinary limitation on the Department's discretion. Nevertheless we are legally bound by it. If confirmed, I intend to recommend to the Secretary that the Department oppose the language involved.

QUESTION 4. With respect to securing full cost recovery from M&I accounts at the Bonneville unit of the Colorado River Project, you said that the District Board of Directors has adopted a resolution agreeing to enter into a supplemental contract, "when appropriate." I find it astonishing that you are relying on that vague and non-binding commitment as a basis for pouring millions of new Federal dollars into the project.

I would like your assurance that you will not seek additional funds for this unit in the fiscal 1986 spending bill unless new or amended repayment contracts are signed.

RESPONSE 4. The Bonneville Unit of the Central Utah Project, a participating project of the Colorado River Storage Project, has an existing repayment contract which provides for repayment of $140.4 million of municipal and industrial (M&I) water costs, plus $10 million has been contributed by the Central Utah Water Conservancy District. The 1965 repayment contract provides for the use of the Water Supply Act of 1958 to defer the repayment of costs for future M&I water supply. The Water Supply Act of 1958, as amended, states that when constructing Federal reservoirs, the Secretary of the Interior may allocate storage space to future needs "* * * where State and local interests give reasonable assurances, and there is reasonable evidence, that such demands for the use of such storage will be made within a period of time which will permit paying out the costs allocated to water supply within the life of the project * * *." The provisions of the Water Supply Act related to such future costs do not require a firm repayment contract. In fact, the General Accounting Office has criticized the Bureau

RESPONSE 4. continued

in the past for being overzealous in contracting for the repayment of M&I costs that could be deferred for future repayment when the "reasonable assurances-reasonable evidence" test is met.

This provision has been invoked and the district, by board resolution, has given reasonable assurance and evidence that they are committed to enter into a contract to repay those costs. Local interests are supportive and anxious to begin these contract negotiations.

As I have stated before, construction of additional features of the Bonneville Unit (such as Jordanelle Dam) that require firm, additional M&I repayment coverage will not be initiated until additional repayment has been secured from the Central Utah Water Conservancy District or other entities. Permission to enter into these negotiations has been requested from our regional office and the basis for those negotiations is being reviewed for approval.

QUESTION 5. You indicated your general support for water service contracts containing periodic readjustment clauses. Would you provide me with a list of every water service contract signed during your tenure at the Bureau and as Acting Secretary, with specific reference to the existence and terms of any readjustment clauses?

RESPONSE 5. Listed below are all of the long-term water service contracts. Executed between January 1981 and June 1984. I'm happy to report that consistent with the Administration's policy all of these contracts contain rate readjustment clauses.

Pacific Northwest Region

Rogue River Project - Applegate Reservoir

146 similar water service contracts with individuals have been executed. Those contracts contain an annual review and adjustment clause.

Rogue River Project - Lost Creek

13 similar water service contracts with individuals have been executed. Those contracts contain an annual review and adjustment clause.

Willamette Basin Project

9 similar water service contracts with individuals have been executed. Those contracts contain an annual review and adjustment clause.

Columbia Basin Project

3 similar water service contracts with individuals have been executed. Those contracts contain an annual review and adjustment clause.

Mid-Pacific Region

Central Valley Project

Gravely Ford Water District - June 26, 1981
Rate adjustment in 1986 and every fifth year thereafter

Stoney Creek Water District - April 19, 1982
Rate adjustment annually

4-E Water District - August 5, 1983
Rate adjustment annually

RESPONSE 5. continued

Mid-Pacific Region

Central Valley Project (continued)

Stockton-East Water District - December 19, 1983
Rate adjustment annually

Central San Joaquin Water Conservation District - December 19, 1983
Rate adjustment annually

Upper Colorado Region

Colorado River Storage Project

Utah International Incorporated - August 31, 1982
Rate review and adjustment at 5-year intervals after initial water delivery.

Southwest Region

San Juan-Chama Project

Town of Taos - December 18, 1981
Rate review on or before December 31, 1987, and at 5-year intervals thereafter.

Lower Missouri Region

Fryingpan-Arkansas Project

Exxon Company - May 13, 1982
Review and adjustment of operation, maintenance, and repayment cost components of rate beginning January 1986 and 5-year intervals thereafter.

Battlement Mesa, Inc. - May 13, 1982
Review and adjustment of operation, maintenance, and repayment cost components of rate beginning January 1986 and 5-year intervals thereafter.

West Divide Water Conservancy District - May 13, 1982
Review and adjustment of operation, maintenance, and repayment cost components of rate beginning January 1986 and 5-year intervals thereafter.

Southeastern Colorado Water Conservancy District - October 23, 1981
Review and adjustment beginning January 1987 and 5-year intervals thereafter.

Kendrick Project

City of Cheyenne, Wyoming - April 18, 1983
Rate review and adjustment at 5-year intervals.

RESPONSE 5. continued

Upper Missouri Region

Pick-Sloan Missouri Basin Program

Lucerne Water and Sewer District - February 27, 1981
Rate review and adjustment in 1985 and at 5-year intervals thereafter.

Montana Department of Natural Resources and Conservation - September 30, 1981 -- Rate review and adjustment in 1985 and 5-year intervals thereafter.

ETSI Pipeline Project, a Joint Venture - July 2, 1982
Rate review and adjustment in 1985 and 5-year intervals thereafter.

Rapid Valley Water Service Co. - November 15, 1982
Rate review and adjustment in 1985 and 5-year intervals thereafter.

Hilde Construction Co. - November 19, 1982
Rate review and adjustment in 1985 and 5-year intervals thereafter.

Robert Slavick - June 29, 1983
Rate review and adjustment in 1988 and 5-year intervals thereafter.

Gordon Renken - July 6, 1983
Rate review and adjustment in 1988 and 5-year intervals thereafter.

Ruben Kovar - July 6, 1983
Rate review and adjustment in 1988 and 5-year intervals thereafter.

Martin Wright - July 12, 1983
Rate review and adjustment in 1988 and 5-year intervals thereafter.

Lee Ingalls - August 15, 1983
Rate review and adjustment in 1988 and 5-year intervals thereafter.

Dennis & Gordon Gunsch - August 15, 1983
Rate review and adjustment in 1988 and 5-year intervals thereafter.

Vernon Jonson - August 23, 1983
Rate review and adjustment in 1988 and 5-year intervals thereafter.

S&R Ranch - September 6, 1983
Rate review and adjustment in 1988 and 5-year intervals thereafter.

Montana Power Co. - November 30, 1983
Rate review and adjustment in 1985 and 5-year intervals thereafter.

Deap Batt - December 5, 1983
Rate review and adjustment in 1989 and 5-year intervals thereafter.

Marvin Fried - May 7, 1984
Rate review and adjustment in 1988 and 5-year intervals thereafter.

Richard Day - May 21, 1984
Rate review and adjustment in 1985 and 5-year intervals thereafter.

RESPONSE 5. continued

Shoshone Project

Carl and Mary Ballinger - January 20, 1982
Rate review and adjustment in 1985 and 5-year intervals thereafter.

Town of Byron, Wyoming - August 5, 1982
Rate review and adjustment in 1985 and 5-year intervals thereafter.

City of Powell, Wyoming - September 27, 1982
Rate review and adjustment in 1985 and 5-year intervals thereafter.

Lower Colorado Region

Boulder Canyon Project

Mohave County - July 7, 1982
Rate adjusted after Hoover Dam repayment period as prescribed by the Congress.

State of Nevada - November 8, 1983
Rate adjusted after Hoover Dam repayment period as prescribed by the Congress.

Consolidated Water Utilities - November 9, 1983
Rate adjusted after Hoover Dam repayment period as prescribed by the Congress.

Central Arizona Project

5 similar water service subcontracts with districts. Subcontracts executed pursuant to a 1972 master repayment contract with the Central Arizona Water Conservation District. Subcontractors will pay actual operation, maintenance, and replacement costs, and the capital repayment charge may be adjusted periodically to reflect changes in the subcontractors' repayment ability.

QUESTION 6. You have also indicated that a proposal to abandon rolling repayment with respect to the irrigation account at the Central Valley project is pending. Will you provide assurances that you will develop a general regulation prohibiting use of rolling repayment for both irrigation and M&I accounts for all Bureau projects?

RESPONSE 6. After completion of the CVP water marketing policy presently underway, and assuming the decision is to stop rolling repayment on CVP, I intend to have the Bureau of Reclamation examine the use of rolling repayment for all Bureau projects to determine if a regulation is appropriate in view of existing authorizations or contractual commitments. Without the benefit of such an examination I am hesitant to commit to a blanket prohibition. Based upon what I currently know, however such a prohibition may prove to be a wise move.

QUESTION 7. The Inspector General has said that Bureau contracting practices at the Central Valley project "constitute substantial departures from sound business principles at the expense of the Federal taxpayer." Would you provide assurances that you would not recommend continued funding at the San Felipe division until a new or amended repayment contract assuring full cost recovery is in place?

RESPONSE 7. There are three contracts associated with the San Felipe Division of the Central Valley Project--two water service contracts and one repayment contract. The water service contracts are with the Santa Clara Valley Water District (executed June 7, 1977) and the San Benito County Water Conservation and Flood Control District (executed April 15, 1978). Those contracts commit up to 152,500 acre-feet annually to the Santa Clara district and 43,500 acre-feet annually to the San Benito district. Also, the San Benito district has received a distribution system loan under the Bureau of Reclamation's Public Law 84-130 loan program in the amount of $19,900,000. Repayment of that loan is covered by a September 29, 1980, repayment contract.

The Inspector General's September 1979 audit report on the municipal and industrial (M&I) water contracting program in the Central Valley Project cited the San Felipe Division water service contracts as examples where projected water rates would be insufficient to repay invested costs. The report concentrated on the portion of the M&I rate associated with facilities serving the division which are located outside of the Central Valley basin.

RESPONSE 7 continued

The Inspector General's findings generally concentrated on the perception that (1) water rates would not be sufficient to provide for a straight-line amortization of the invested M&I costs during the first 20 years of water delivery and (2) that projected rates subsequent to that first 20-year period would be inadequate to recover all M&I costs within 50 years.

There are three aspects of this situation that need to be considered. First, the out-of-basin M&I water rates criticized by the Inspector General are fully adjustable in the 20th year of water deliveries, and every 5th year thereafter, in accordance with the then current M&I water ratesetting policy for the Central Valley Project. Therefore, the Bureau of Reclamation has a great deal (but not absolute) flexibility to adjust San Felipe Division M&I rates to ensure timely repayment of costs.

Second, in response to the Inspector General's findings, the Bureau's own awareness of the financial problems of the Central Valley Project, and passage of the Reclamation Reform Act of 1982, we have proposed new ratesetting options for Central Valley Project water service. One primary change being proposed is the abandonment of the "rolling repayment" concept and ensuring that invested costs are repaid within a definite time frame consistent with congressional authorizations. The irrigation ratesetting options are currently under public review, and M&I ratesetting options are scheduled for public review shortly. The options and public comments will be submitted to Secretary Clark later this year for his decision on the appropriate ratesetting policy for the Central Valley Project.

RESPONSE 7 continued

Third, the United States and the two districts have entered into these contracts in good faith. Although these contracts were approved for execution by the last Administration and may not be totally in line with our current efforts to ensure proper cost recovery, they did represent a significant milestone for the Central Valley Project in that they contained rate adjustment precedents that were the basis for later contracts. We believe these contracts should be honored.

I do not believe that shutting off funding for construction of the San Felipe Division would be appropriate at this time. Failure to complete the project would not ensure that repayment would be made because repayment begins when water is first delivered. However, we are attempting to deal with the entire financial picture in the Central Valley Project and will propose a ratesetting policy which attributes deficits to those responsible. I am confident that through the ratesetting process, we will be able to ensure repayment while avoiding costly litigation against the United States.

QUESTION 8(a). Your explanation of the circumstances surrounding the contract with the Colorado River Commission of Nevada is quite troubling. It suggests that a regional director under your control may have signed an illegal contract.

To the best of your knowledge, why did Mr. Plummer send an executed settlement to the Executive Director of the Colorado River Commission of Nevada after the March 1 deadline?

RESPONSE 8(a). Mr. Plummer's action was without authorization and was one that clearly exceeded his authority. With that said, I can only speculate that Mr. Plummer incorrectly believed that he should continue to attempt to execute the contract in line with Secretary Watt's directive.

QUESTION 8(b). When you submitted your June 11 answers, did you have any knowledge of Mr. Plummer's actions? If so, who did you talk to and what did they tell you?

RESPONSE 8(b). Yes I did have knowledge of Mr. Plummer's action as I will explain. On June 4, I was informed that Mr. Plummer had sent an executed settlement to the Colorado River Commission of Nevada. I told my staff and the Acting Commissioner of Reclamation to inform Mr. Plummer that, in view of the October 13, 1983, letter, the contract should not be executed and that he should have the Colorado River Commission return the contract. I was informed that he had followed through and asked Mr. Stonehocker of the Colorado River Commission to return the contract. On the 5th of June, Mr. Stonehocker of the Colorado River Commission called my office. In our discussion, I informed him that the contract was in violation of the October 13, 1983, letter; that Mr. Plummer by virtue of the letter was not delegated the authority to execute the contract; and that the contract should be returned and should not be executed by Colorado River Commission. Mr. Stonehocker indicated that he understood our position and would consider Mr. Plummer's request for return of the contract. In light of this, I assumed the contract would be returned unexecuted and, in fact, I was not aware that it had been executed at the time I answered your previous questions. At approximately 4 p.m. Pacific Time on June 11 and after I submitted my previous answers, I was informed by Mr. Plummer that the Colorado River Commission had executed the settlement. Mr. Stonehocker called my office in Washington, D.C., on June 11th. I was out of town and did not return the call.

QUESTION 8(c). Have you discussed the proposed settlement with Mr. Plummer since it was announced by Secretary Watt? If so, please relate the substance of your discussions.

RESPONSE 8(c). Other than the activities outlined in question 8(b), my discussions with Mr. Plummer on this subject were limited to official memoranda in which I or a member of my staff directed him to attempt to execute Secretary Watt's decision. These documents are included in the materials attached hereto. *

*Attachments are retained in the Committee's Official Files.

QUESTION 8(d). Did you make any effort between the March 1 deadline and June 1 to collect the full amount due? If so, please explain.

RESPONSE 8(d). I was unaware that the issue was not resolved by the March 1 deadline established in the October 13, 1983, letter until June 4, 1984.

QUESTION 8(e). Finally, please provide all memorandums, correspondence and other documents to or from you or to or from Mr. Plummer relating to the proposed settlement. Please also submit the Solicitor's Opinion that you have requested regarding the legal effect of the execution of the settlement.

RESPONSE 8(e). Attached for your consideration and review are all memorandums, correspondence, and other documents relating to the proposed settlement. Please note that I have also included a June 20, 1984, memorandum from the Acting Commissioner to Mr. Plummer.

The opinion from the Office of the Solicitor which you have requested is also attached.

*Documents and attachments are retained in the Committee's Official Files.

APPENDIX III

Statements Submitted for the Record in Support of Robert N. Broadbent

BOB STUMP
3D DISTRICT, ARIZONA

211 CANNON BUILDING
WASHINGTON, D.C. 20515
(202) 225-4576

DISTRICT OFFICE:
5001 FEDERAL BUILDING
PHOENIX, ARIZONA 85025
(602) 261-6913

PRIORITY

Congress of the United States
House of Representatives
Washington, D.C. 20515

ARMED SERVICES COMMITTEE

PERMANENT SELECT COMMITTEE ON INTELLIGENCE

VETERANS' AFFAIRS COMMITTEE

June 6, 1984

SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES
RECEIVED
JUN 11 1984

Honorable James A. McClure
Chairman
Committee on Energy and
Natural Resources
SD - 360
Washington, D.C. 20510

Dear Mr. Chairman:

With regard to the confirmation hearing scheduled before your Committee tomorrow, I have received the enclosed letter from the Arizona Irrigation and Electrical Districts Association, and would appreciate it being made part of the record.

I, too, would like to add my support of Bob's confirmation as Assistant Secretary for Water and Science. Bob has done an outstanding job as Reclamation Commissioner, and has demonstrated time and again his abilites to balance the responsibilities of the Department with the concerns of the public it serves. There is no doubt in my mind that his leadership is an asset to the Department and that he is qualified to undertake the job as Assistant Secretary.

Best wishes.

Sincerely,

BOB STUMP
Member of Congress

BS:lj

IRRIGATION & ELECTRICAL DISTRICTS
ASSOCIATION OF ARIZONA

SUITE 720
2645 E. CAMELBACK ROAD
PHOENIX, AZ 85016
TELEPHONE 956-8878

H. S. RAYMOND
PRESIDENT
W. A. DUNN
VICE-PRESIDENT
ROBERT S. LYNCH
SECRETARY-TREASURER

June 5, 1984

FEDERAL EXPRESS

Honorable Bob Stump
Member of Congress
Washington, DC 20515

Re: Nomination of Robert Broadbent as Assistant Secretary for Water and Science, Department of the Interior

Dear Bob:

The Irrigation & Electrical Districts Association of Arizona supports the appointment of Robert Broadbent as Assistant Secretary for Water and Science at the Department of the Interior. Our nineteen association members, including irrigation, electrical and water conservation districts and the Ak-Chin Indian Community, are spread over Yuma, Maricopa and Pinal Counties. Our members have had continuing contact with the Bureau of Reclamation over the years with its efforts concerning the Central Arizona Project, as well as the Gila Project and other resources.

We have observed Reclamation Commissioner Broadbent in his management of that agency, as well as his activities as Acting Assistant Secretary for Water and Science. We firmly believe that Senate confirmation of his nomination as Assistant Secretary is a vital step in the completion of the Central Arizona Project. All Arizona will benefit from his stewardship in that position and we urge you to do everything in your power to promote his confirmation with members of the Senate Energy and Natural Resources Committee and the full Senate.

We thank you for your urgent consideration of this very important matter.

Sincerely,

Robert S. Lynch
Secretary-Treasurer

RSL/bms

BOB STUMP
3D DISTRICT, ARIZONA

211 CANNON BUILDING
WASHINGTON, D.C. 20515
(202) 225-4576

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Congress of the United States
House of Representatives
Washington, D.C. 20515

ARMED SERVICES COMMITTEE

PERMANENT SELECT
COMMITTEE ON INTELLIGENCE

VETERANS' AFFAIRS
COMMITTEE

Committee File

June 12, 1984

SENATE COMMITTEE ON
ENERGY & NATURAL RESOURCES
JUN 25 1984
RECEIVED

Honorable James A. McClure
Chairman
Committee on Energy and
Natural Resources
SD - 360
Washington, D.C. 20510

Dear Mr. Chairman:

With regard to the confirmation hearing scheduled before your Committee, I have received the enclosed letter from the Central Arizona Project Association. Would appreciate it being made part of the confirmation record.

Thank you for your consideration in this matter.

Sincerely,

BOB STUMP
Member of Congress

BS:lj
Enclosure

Central Arizona Project Association

1124 Arizona Title Building
Phoenix, Arizona 85003
Telephone 253-2136

H. S. RAYMOND, CHAIRMAN OF THE BOARD
WAYNE M. AKIN, VICE CHAIRMAN OF THE BOARD
WEBB TODD, PRESIDENT
JAMES M. BUSH, VICE PRESIDENT
R. J. ELLIS, VICE PRESIDENT
NORMAN FAIN, VICE PRESIDENT
LEWIS C. MURPHY, VICE PRESIDENT
FRED STOFFT, SECRETARY-TREASURER
RICH JOHNSON, EXECUTIVE DIRECTOR

June 6, 1984

MORLEY E. FOX
WASHINGTON REPRESENTATIVE
110 D STREET, S. E.
APARTMENT 418
WASHINGTON, D. C. 20003
TELEPHONE (202) 547-6083

Hon. Bob Stump
Member of Congress
211 Cannon Office Building
Washington, D. C. 20515

Dear Bob:

I believe Arizona's interests will best be served if the Senate confirms the appointment of Bob Broadbent as Assistant Secretary of the Interior for Water and Science, and of Bob Olson as Commissioner of Reclamation.

If you agree with me on that, and I hope you do, I think it would be very helpful if you would advise Barry Goldwater of your support prior to upcoming confirmation proceedings.

With best regards.

Sincerely,

Hank Raymond

H. S. Raymond

HSRc

ELDON RUDD
4TH DISTRICT, ARIZONA

COMMITTEE ON APPROPRIATIONS

WASHINGTON OFFICE:
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WASHINGTON, D.C. 20515
(202) 225-3361

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SCOTTSDALE, ARIZONA 85251
(602) 241-2801

Congress of the United States
House of Representatives
Washington, D.C. 20515

June 6
1984

SENATE COMMITTEE ON
ENERGY AND NATURAL RESOURCES
RECEIVED
JUN 7 1984
WASHINGTON, D.C. 20510

The Honorable James A. McClure
Chairman
Committee on Energy and Natural Resources
United States Senate
SD-360
Washington, D.C. 20510

Dear Jim,

It is my understanding that your Committee will be conducting confirmation hearings tomorrow on the nomination of Robert Broadbent as Assistant Secretary for Water and Science in the Department of the Interior.

I have taken the liberty of enclosing a copy of a letter from the Irrigation and Electrical Districts Association of Arizona which strongly supports the nomination of Bob Broadbent to this post in the Department of Interior. I hope that you can make that letter a part of the official hearing record for Bob Broadbent's nomination.

I would also like to take this opportunity to strongly endorse Bob's nomination to this important post. Bob has done an excellent job as the Commissioner of the Bureau of Reclamation and brings to this new post vast experience and competence.

My best wishes to you.

Sincerely,

Eldon Rudd
Member of Congress

ER:aa

Enclosure

IRRIGATION & ELECTRICAL DISTRICTS ASSOCIATION OF ARIZONA

SUITE 720
2845 E. CAMELBACK ROAD
PHOENIX, AZ 85016
TELEPHONE 956-8878

H. S. RAYMOND
PRESIDENT
W. A. DUNN
VICE-PRESIDENT
ROBERT S. LYNCH
SECRETARY-TREASURER

June 5, 1984

FEDERAL EXPRESS

Honorable Eldon Rudd
Member of Congress
Washington, DC 20515

Re: Nomination of Robert Broadbent as Assistant Secretary for Water and Science, Department of the Interior

Dear Eldon:

The Irrigation & Electrical Districts Association of Arizona supports the appointment of Robert Broadbent as Assistant Secretary for Water and Science at the Department of the Interior. Our nineteen association members, including irrigation, electrical and water conservation districts and the Ak-Chin Indian Community, are spread over Yuma, Maricopa and Pinal Counties. Our members have had continuing contact with the Bureau of Reclamation over the years with its efforts concerning the Central Arizona Project, as well as the Gila Project and other resources.

We have observed Reclamation Commissioner Broadbent in his management of that agency, as well as his activities as Acting Assistant Secretary for Water and Science. We firmly believe that Senate confirmation of his nomination as Assistant Secretary is a vital step in the completion of the Central Arizona Project. All Arizona will benefit from his stewardship in that position and we urge you to do everything in your power to promote his confirmation with members of the Senate Energy and Natural Resources Committee and the full Senate.

We thank you for your urgent consideration of this very important matter.

Sincerely,

Robert S. Lynch
Secretary-Treasurer

RSL/bms

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STEPHEN J. COLEMAN*
ROBERT D. MARTIN
*ADMITTED IN WASHINGTON ONLY

JUN 22 '84

June 19, 1984

SENATE COMMITTEE ON
ENERGY AND NATURAL RESOURCES
RECEIVED
JUN 22 1984

The Honorable James A. McClure
Chairman
Committee on Energy and Natural
Resources
360 Dirksen Senate Office Building
Washington, D.C. 20510

Dear Chairman McClure:

I respectfully submit the enclosed statement for the record of the Senate Committee on Energy and Natural Resources confirmation hearing on the nomination of Robert Broadbent to be Assistant Secretary of Interior for Water and Science.

I remain,

Sincerely,

James D. Santini

JAMES D. SANTINI
Attorney at Law

JDS:jdm

Enclosure

Statement of
James D. Santini

on the

Nomination of

Robert N. Broadbent

for

Assistant Secretary for Water and Science

Department of Interior

Before the

Committee on Energy and Commerce

U.S. Senate

June 7, 1984

James D. Santini
Jones, Jones, Close & Brown
1110 Vermont Avenue, N.W.
Suite 1060
Washington, D.C. 20005
(202) 429-1910

Mr. Chairman and Members of the Committee:

This statement is offered in support of the proposed appointment of Mr. Robert N. Broadbent for Assistant Secretary for Water and Science, Department of the Interior. This endorsement is offered because I believe that Mr. Broadbent is eminently qualified to assume the responsibilities and challenges of this new office.

During my four terms in the House of Representatives from the state of Nevada, I had the opportunity to serve on the House Interior and Insular Affairs Committee. In addition, while in Congress I had frequent contact with the Department of the Interior because that agency manages a sizeable chunk of the acreage in my former Congressional district. This experience with the Department of Interior helps me appreciate the importance of this appointment.

My personal association with Bob and my first-hand knowledge of his record of public service in the state of Nevada reinforce my conviction that Bob is an ideal candidate for the Assistant Secretary position.

Mr. Broadbent was born, raised, and educated in the state of Nevada. He understands through first-hand experience the problems and interests of the federal lands in the western states. For six years, he was deeply involved with the problems of the management of Southern Nevada's precious water resources as Director of Las Vegas Valley Water District.

In this capacity, he developed our Las Vegas Valley Water District into the largest and most sophisticated public water supplier in the state of Nevada. While serving for 12 years as a trustee of the Clark County Sanitation District, he participated in ensuring that water returned to the Colorado River from the sanitation district satisfied all of the federally mandated water quality standards.

Bob exhibited his administrative and management skills while laboring for 12 years as Clark County Commissioner. On that board, he was required to direct and manage the full range of municipal and regional services to the largest population area in Nevada. Commissioners were responsible for the activities of some 5,000 employees and managed an annual budget of $400 million. His able service was recognized by the voters who returned him to office for four terms.

Mr. Broadbent is intimately acquainted with the Bureau of Reclamation's Hoover Dam responsibilities. In 1959, he was elected the first mayor of Boulder City, Nevada. In that capacity, he directed the negotiation and transfer of Boulder City from the Department of the Interior to its present status as a Nevada city. This important jurisdictional transfer included the land, as well as the sewer and electric utility services, required to meet the needs of the new municipality.

Robert Broadbent has a wealth of community service in his background. The wonder is that he found the time to support his wonderful wife Sue and their four children.

There is absolutely no question that the Department of the Interior and this nation will be well served by Robert N. Broadbent in the proposed post of Assistant Secretary for Water and Science. It is my hope that the Committee will unanimously endorse his appointment.

State of California
THE RESOURCES AGENCY
SACRAMENTO

GORDON K. VAN VLECK
SECRETARY FOR RESOURCES

Official Committee File

SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES
RECEIVED
JUN 5 1984

June 4, 1984

Honorable James A. McClure
Chairman of the Senate Energy
and Natural Resources Committee
United States Senate
Washington, D. C. 20510

Dear Mr. Chairman:

I support the nomination of Robert N. Broadbent for Assistant Secretary of the Interior for Water and Science. It is my understanding that the Senate Energy and Natural Resources Committee will be considering his confirmation soon.

As California's Secretary for Resources and a member of Governor Deukmejian's Cabinet, I have had the honor of working with Robert Broadbent many times. Currently, Mr. Broadbent and I co-chair the Auburn Dam Task Force which will facilitate a financing solution to building Auburn Dam. This task force includes federal, state, and local interests.

Mr. Broadbent's leadership ability has favorably impacted water policy in California, and I believe he is highly qualified to serve as Assistant Secretary of the Interior for Water and Science.

Thank you for your consideration.

Sincerely,

Gordon K. Van Vleck

Gordon K. Van Vleck
Secretary for Resources

STATEMENT
OF

J.W. "PAT" O'MEARA
Executive Vice President
NATIONAL WATER RESOURCES ASSOCIATION

BEFORE THE

COMMITTEE ON ENERGY AND NATURAL RESOURCES
UNITED STATES SENATE

June 7, 1984

Mr. Chairman and Members of the Committee, my name is J.W. "Pat" O'Meara. I am the Executive Vice President of the National Water Resources Association. As the Chairman and several members of this committee well know, the NWRA is a confederation of the state water associations in the 17 Reclamation States and Hawaii. Our principle objective is the development, conservation and wise use of the water resources of the West.

We come before this committee today to strongly support and endorse the nomination of Robert N. Broadbent to be the first Department of the Interior Assistant Secretary for Water and Science.

We would like to digress just a moment to congratulate Secretary Clark for the reorganization of the Department which places the U.S. Geological Survey, the Bureau of Reclamation and the Bureau of Mines under a single Assistant Secretary. From my own years of experience at Interior, I know it is relatively simple to coordinate programs of different bureaus and agencies, if they are administered by the same Assistant Secretary. It is far more difficult to effect close coordination if programs fall under the purview of different Assistant Secretaries. This is not a criticism of the Department, for a similar situation exists in other Departments and even here in the Congress. As the members of this committee well know, it is far easier to keep track of bills pending before this committee than to keep fully apprised of bills being considered by committees of which you are not a member.

The action by Secretary Clark to place U.S.G.S. and the Bureau of Reclamation under the same Assistant Secretary will be especially helpful. For example, a bill pending before this committee, H.R. 71, a bill to study and demonstrate the potential for groundwater recharge. The bill directs the Bureau of Reclamation to undertake this program, "in consultation with ... the United States Geological Survey." I can tell this committee that the administration of that bill will be conducted more efficiently under the new reorganization. Of course, that

improved coordination awaits the enactment of the bill or the companion bill, S. 1811 introduced by Senator Nickles, by the Senate, an action NWRA strongly endorses.

I did not know, nor had I ever met Bob Broadbent before he was nominated by President Reagan to be the Commissioner of Reclamation back in 1981. In all honesty, I was aghast to learn that Senator Laxalt was pushing for the appointment of a Las Vegas druggist for the position. Mr. Chairman, I recall the startled look on your face when I called you off the floor of the Senate to report to you that a Nevada "pill roller" was in line for the top Reclamation post. My consternation was ameliorated somewhat, over the next few days as I received several phone calls from folks in Nevada who knew and who had worked with Mr. Broadbent, assured me that Bob would make a fine Commissioner.

How right they were. I might upgrade what they said by stating he has been an exceptionally fine Commissioner.

After four years of an Administration whose principle water policy can best be described as a "hit list mentality" Broadbent took over the major water resource development agency of the Department at a time when it had even lost its historical identity and was known by secretarial fiat as the Water and Power Resources Service. Needless to say, morale was low and programs that should have been active were in mothballs.

In just three short years, Mr. Broadbent has effected some remarkable changes. The dignity of the Bureau and its employees has been restored, and programs and policies for accelerated water resource management and development are underway.

But most of all, I want to cite the assistance and cooperation we received from Mr. Broadbent as we successfully worked for the enactment of the bill to modernize the 1902 Reclamation Law. His interest and concern become even more important following the approval of P.L. 97-293, for it then became the responsibility of the Bureau of Reclamation to promulgate the complex Rules and Regulations for the administration of that law.

Mr. Chairman, the first draft of the rules and regulations published by the Bureau, in one word, could be described as a "disaster." As originally drafted, the Rules and Regulations were an administrative nightmare that were of great concern to the Reclamation farmers throughout the West. I voiced my views to the Commissioner and reported to him of the growing consternation throughout the entire Reclamation area. He immediately moved to schedule a series of hearings throughout the West, to listen to the complaints and to receive suggestions. He personally conducted most of these hearings, and more important, he listened. When the final rules and regulations were published this past December, they were a remarkable improvement over the initial draft and generally acceptable except for the infamous "hammer clause".

Mr. Chairman, you and the other members of this committee know that Mr. Broadbent has worked tirelessly and effectively to enhance the performance of the Bureau. He has advocated a reasonable cost sharing policy, he has worked for new starts, in a time when budget cuts have become a way of life, he has increased the appropriations for the Bureau to carry forward their vital developmental activities. These are but a few of his many accomplishments for which we are most appreciative.

After working closely with Mr. Broadbent for three years, it gives me great pleasure to have the opportunity to come before this committee to urge his approval by the Senate. He is an experienced administrator who has demonstrated leadership, statesmanship, and that rare quality of common sense. We are confident that he will serve with distinction as the Assistant Secretary for Water and Science.

We regret the long delay by the White House to send to the Senate for your consideration the nomination of Robert Broadbent as Assistant Secretary for Water and Science. We hope this committee will offset that delay by quickly approving this richly deserved appointment and to urge confirmation by the Senate at the earliest possible date.

ACEC File # 713

Official Committee File

american consulting engineers council

1015 FIFTEENTH STREET, N.W., WASHINGTON, D.C. 20005-2670 ☐ (202) 347-7474
Telex 897445 AMCONENGRC WSH

June 6, 1984

SENATE COMMITTEE ON ENERGY AND NATURAL RESOURCES
RECEIVED
JUN 7 1984
WASHINGTON, D.C. 20510

The Honorable James A. McClure
Chairman, Committee on Energy and
Water Resources
316 Dirksen Senate Office Building
United States Senate
Washington, D.C. 20510

Dear Mr. Chairman:

The American Consulting Engineers Council is pleased to endorse the nomination of Robert Broadbent to be Assistant Secretary of Interior for Water and Science.

Bob has been an able and forward thinking Commissioner of Reclamation who has sought to renew, restore and reinvigorate water resources in the western states. Bob also has taken a very balanced approach to the roles of the private sector and BuRec in water resources and has sought to encourage a partnership.

ACEC, which represents more than 4,000 private engineering firms, has 1800 member firms in reclamation states, almost half of which provide engineering services needed in water resource development.

At Bob's invitation in February, 1983, ACEC and BuRec formed a joint working group. The working group meets twice a year, in Denver at the Engineering Research Center and in Washington, D.C. Task forces are designated to work on common issues between meetings. The working group has agreed on a charter of objectives, (attached) has reviewed selection procedures and procurement policy for architect-engineering services, is examining construction management and quality control, computer assistted design and drafting and value engineering in BuRec projects. Since many projects are initiated and carried out at the regional level, Bob also suggested that an ongoing liaison be established in the region. An ACEC member of the working group meets with the Regional Director and the Director of Engineering on a regular basis.

President SHELBY K. WILLIS Salina, Kansas • *Senior Vice President* VERNON B. SPALDING, Madison Heights, Michigan
Vice Presidents PAUL C. BUCKNAM, JR. Wellesley, Massachusetts • L. LEROY CRANDALL Los Angeles, California
CHRISTOPHER MARX New Haven, Connecticut • LESTER H. POGGEMEYER Bowling Green, Ohio • RICHARD L. WILLIAMS Roanoke, Virginia
Treasurer ARNOLD L. WINDMAN New York, New York • *President-Elect* CLIFFORD E. EVANSON Glencoe, Illinois
Executive Vice President LARRY N. SPILLER • *Managing Director* BRUCE E. VOGELSINGER

Most importantly, the working group is seeking a means by which the capability and expertize of private sector engineering firms can be more fully utilized by BuRec in carrying out its mission for improved water resources. Bob Broadbent believes in this policy and will no doubt make it central to his management of all the agencies within his responsibility in his new position.

We, therefore, urge the Committee on Energy and Natural Resources to favorably report Bob Broadbent's nomination to the full Senate as quickly as possible.

Sincerely yours,

William J. Birkhofer
Managing Director
Governmental and
International Services

WJB/jb
Enclosure

American Consulting Engineers Council/U.S. Bureau of Reclamation (USBR)
Working Group Charter

Objectives

The American Consulting Engineers Council and the U.S. Bureau of Reclamation agree to create and maintain a joint working group. The objectives of the working group shall be:

I. To further the development of water resources in reclamation states;

II. To facilitate the exchange of technical information between USBR and the private sector engineering community;

III. To facilitate communications on a local, state, regional, and national level to discuss and understand the technical and program issues of ACEC and USBR;

IV. To jointly explore alternative methods of project formulation and financing to permit water resources projects of national interest to expeditiously proceed;

V. To jointly evaluate ways to reduce project capital costs without diminishing project objectives;

VI. To maintain the technical excellence of the USBR in water resources;

VII. To utilize the capability and experience of private sector engineering firms in planning, design, and construction of water resources projects;

VIII. To identify, explore and resolve issues and difficulties of concern between the two organizations.

Representation

Each organization will designate a reasonable number of representatives to facilitate accomplishment of the objectives and specific meeting agenda items.

Organization

Each organization shall designate a co-chairman. As needed the working group may designate subcommittees to develop issues between meetings.

ACEC shall designate regional representatives as liaison to each of the USBR regional directors. Issues of regional concern can be directed through the regional liaison.

ACEC shall also suggest to its state organizations the utility of designating a state liaison to the Bureau region, recognizing that some states are in more than one USBR region.

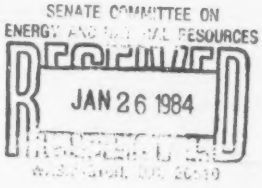
Meetings

The working group shall meet twice a year, in Washington and Denver, to facilitate accomplishment of the work objectives. Task forces may meet as necessary. Additional meetings may be called on call of the co-chairman in consultation with the two organizations.

Sierra Pacific Employees Political Action Committee
P. O. BOX 7724 • RENO, NEVADA 89520

January 23, 1984

Official Committee File



Senator J. A. McClure
Chairman
Committee on Energy and Natural Resources
U.S. Senate
Washington, D.C. 20510

Dear Senator McClure:

We are writing to you to urge your support of the nomination of Robert Broadbent to fill the new position of Assistant Secretary of the Interior for Water and Science.

Mr. Broadbent's extensive background in water and land management matters makes him an excellent choice for this position. A person of his experience and calibre is needed in a position which is responsible for managing one of the West's most vital resources. As a senator from a western state, I'm sure you can appreciate our concern over the vital issue of water management, and we believe Mr. Broadbent is uniquely suited for his proposed role.

Your strong support of Mr. Broadbent's nomination would do much to enhance your good record of representing the interests of your constituents and the residents of western states such as Nevada.

Sincerely,

Michael R. Reed
Chairperson
Steering Committee